BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1293



GLOBAL OFFERING

Sole Global Coordinator

Morgan Stanley

Joint Sponsors

Morgan Stanley J.P.Morgan

Joint Bookrunners and Joint Lead Managers

Morgan Stanley J.P.Morgan 招银国际 CMB INTERNATIONAL

** For identification purposes only*

IMPORTANT

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**379,320,000 Shares (comprising 328,740,000 new Shares and 50,580,000 Sale Shares, subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**37,932,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**341,388,000 Shares (comprising 290,808,000 new Shares and 50,580,000 Sale Shares, subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$10.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1293**

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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 the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (on behalf of the Underwriters), the Selling Shareholder and our Company on or about Wednesday, December 7, 2011 and, in any event, not later than Thursday, December 8, 2011. The Offer Price will be not more than HK$10.80 per Offer Share and is currently expected to be not less than HK$8.50 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$10.80 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$10.80 per Offer Share.

The Joint Bookrunners (on behalf of the Underwriters), with the consent of our Company and the Selling Shareholder, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering 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, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Company's website at www.klbaoxin.com and the Stock Exchange's website at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Grounds for Termination" in this prospectus.

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 or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are being offered and sold within the United States only to "qualified institutional buyers" as defined in Rule 144A. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

* *For identification purposes only*

December 2, 2011

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, December 7, 2011
Application lists open[3]	11:45 a.m. on Wednesday, December 7, 2011
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, December 7, 2011
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, December 7, 2011
Latest time to complete payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, December 7, 2011
Application lists close	12:00 noon on Wednesday, December 7, 2011
Expected Price Determination Date[5]	Wednesday, December 7, 2011

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Tuesday, December 13, 2011

(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 the section headed "How to Apply for the Hong Kong Offer Shares—Results of Allocations" in this prospectus from . . . . . Tuesday, December 13, 2011

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**(6) and our Company's website at **www.klbaoxin.com**(7) from . . . . . Tuesday, December 13, 2011

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function . . . . . Tuesday, December 13, 2011

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(8 and 9) . . . . . Tuesday, December 13, 2011

Despatch of refund cheques on or before(9 and 10) . . . . . Tuesday, December 13, 2011

White Form e-Refund Payment Instructions will be dispatched on or before(10) . . . . . Tuesday, December 13, 2011

Dealings in Shares on the Hong Kong Stock Exchange to commence on . . . . . Wednesday, December 14, 2011

Notes:

(1) All dates and times refer to Hong Kong local time and dates unless otherwise stated.

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **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 at or before 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 will close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 7, 2011, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares—Effect of Bad Weather Conditions on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Wednesday, December 7, 2011, the dates mentioned above may be affected. Our Company will make a press announcement in such event.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares—How to Apply by Giving Electronic Application Instructions to HKSCC" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, December 7, 2011, and in any event no later than Thursday, December 8, 2011. If, for any reason, the Offer Price is not agreed on or before Thursday, December 8, 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board—Results of Allotment" page on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Neither our Company's website nor any of the information contained on our Company's website forms part of this prospectus.

(8) Our Company will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, December 14, 2011, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

(9) Applicants who apply on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect any refund cheques (where applicable) and Share certificates in person may do so from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, December 13, 2011. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares—How to Apply by Giving Electronic Application Instructions to HKSCC" in this prospectus.

Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and whose applications are wholly or partially successful, may collect their Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, December 13, 2011. For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, Share certificates will be sent to the address specified in their application instructions to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, December 13, 2011 by ordinary post and at their own risk.

Applicants being individuals who opt for personal collection must not authorize any person to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorized representatives with letters of authorization of their corporations stamped with the corporation's chops (bearing the name of the corporations). Both individuals and authorized representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to our Company's Hong Kong Share Registrar.

Uncollected Share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares—Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(10) e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Applicants who paid the application monies from a single bank account may have e-Refund payment instructions, if any, dispatched to the application payment account on Tuesday, December 13, 2011. Applicants who used multi-bank accounts to pay the application monies may have refund cheques (if any) dispatched to them on Tuesday, December 13, 2011. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheques, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before cashing of your refund cheques. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheques.

For details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, and the procedures for application for the Hong Kong Offer Shares, you should read the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

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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. You should read the whole document in its entirety 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 out in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you invest in our Offer Shares.

In this prospectus, a "4S" dealership store refers to an authorized dealership store that offers "sales, spare parts, services and surveys", namely, a full range of dealership products and services that include sales of automobiles and spare parts, approved maintenance and repair services and the conduct of customer and market surveys for automobile manufacturers. Non-4S dealership stores only offer a portion of the products or services available at 4S dealership stores.

The number of 4S dealership stores referred to in this prospectus includes a jointly-controlled entity whose revenues and sales volume are not included in our combined data. Accordingly, our financial results, including sales revenues, gross profits and gross profit margins, and operating data, such as sales volumes, discussed in this prospectus do not include corresponding results or data of that jointly-controlled entity.

OUR BUSINESS

Overview

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. We have a well-established network comprising 28 4S dealership stores (including a jointly-controlled entity) as of September 30, 2011, 18 of which were luxury and ultra-luxury brand stores. As of the Latest Practicable Date, we had received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. All of our 4S dealership stores are strategically located in populous and affluent regions in China with rapidly growing local economies. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, ultra-luxury brands such as Land Rover & Jaguar, and other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai. Sales under our luxury and ultra-luxury brands have contributed to an increasing percentage of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenue from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profit from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. We believe that our focus on luxury and ultra-luxury brands has enabled us to achieve rapid revenue and profit growth and increasing profit margins over the Track Record Period.

Our Track Record

Since we commenced operation in 1999 and became one of the first authorized dealerships for Audi in 1999, we have established a proven track record in building successful, high quality 4S dealership stores. We opened one of the first BMW Brilliance authorized 4S dealership stores in China in 2004 and have since become one of BMW's most important and largest dealerships in China in terms of 2010 sales volume. BMW was one of the best-selling and one of the fastest growing luxury automobile brands in terms of sales volumes in China in 2010, according to Euromonitor. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. In 2010, China was the third largest market for BMW, and the fastest growing of its three largest markets worldwide in terms of sales volume according to BMW's 2010 annual report. In 2010, three of our BMW 4S dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Award. This ranking takes into account all operational aspects of a 4S dealership store, including sales performance, customer service quality and customer satisfaction rates. We were the only dealership group to achieve multiple placings in this ranking by BMW, which had around 170 authorized 4S dealership stores in China at the time of the ranking. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. We commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period and one of the largest Land Rover & Jaguar dealership groups in eastern China in terms of the number of stores as of June 30, 2011. We believe that our leading position and superior operational capabilities and expertise have enabled us to develop long term and stable relationships with leading automobile manufacturers and placed us in a strong position to win additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

We sold 14,081 units, 17,138 units, 22,314 units and 12,976 units of automobiles in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The following table sets forth a breakdown by geography of the average sales volume per store and average revenue from automobile sales per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands:

	Year Ended December 31,										Six Months Ended June 30,					
	2008		2009				2010				2010		2011			
Revenue Source	Sales Volume	Revenue	Sales Volume	Growth	Revenue	Growth	Sales Volume	Growth	Revenue	Growth	Sales Volume	Revenue	Sales Volume	Growth	Revenue	Growth
	Unit	RMB million	Unit	%	RMB million	%	Unit	%	RMB million	%	Unit	RMB million	Unit	%	RMB million	%
Automobile Sales																
Luxury and ultra-luxury brand automobile sales																
Shanghai	1,298	572.5	1,570	21.0	733.1	28.1	2,060	31.2	970.4	32.4	913	434.5	1,187	30.0	572.0	31.6
Jiangsu	1,669	823.1	1,733	3.8	849.0	3.1	1,972	13.8	977.2	15.1	905	437.9	1,025	13.3	473.7	8.2
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	976	—	497.5	—
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	649	—	336.6	—
Average:	**1,422**	**656.0**	**1,624**	**14.2**	**771.8**	**17.7**	**2,030**	**25.0**	**972.6**	**26.0**	**910**	**435.6**	**1,000**	**9.9**	**491.6**	**12.9**

Average sales volume per store of all of our three luxury dealership stores that have been in operation for at least 24 months as of January 1, 2011 grew by 24.5% from 910 units in the six months ended June 30, 2010 to 1,133 units in the six months ended June 30, 2011, while their average revenue from automobile sales per store grew by 23.8% from RMB435.6 million in the six months ended June 30, 2010 to RMB539.2 million in the six months ended June 30, 2011.

Our after-sales business, which generates recurring revenues and high profit margins for us, has grown significantly over the Track Record Period. During the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the gross margins of our after-sales services were significantly higher than those of automobile sales. We expect that, with the continued expansion of our customer base, our after-sales business will continue to grow. The following table sets forth a breakdown by geography of the average revenue from after-sales business per store and the gross profit margin of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands:

	Year Ended December 31,								Six Months Ended June 30,				
	2008		2009			2010			2010		2011		
Revenue Source	Revenue	Gross Margin	Revenue	Growth	Gross Margin	Revenue	Growth	Gross Margin	Revenue	Gross Margin	Revenue	Growth	Gross Margin
	RMB million	%	RMB million	%	%	RMB million	%	%	RMB million	%	RMB million	%	%
After-sales business													
Luxury and ultra-luxury brand													
Shanghai	81.5	40.9	94.8	16.3	46.5	114.7	21.0	49.3	49.4	49.8	57.8	17.0	47.7
Jiangsu	52.9	41.6	70.8	33.8	50.3	70.4	(0.6)	44.6	33.9	43.6	34.1	0.6	47.8
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	—
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	—
Average:	**71.9**	**41.0**	**86.8**	**20.7**	**47.6**	**99.9**	**15.1**	**48.2**	**44.2**	**48.2**	**49.9**	**12.9**	**47.7**

The following table sets out a breakdown of our gross profits and gross profit margins for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands	83,688	4.2	190,567	5.7	375,165	6.7	167,198	6.8	346,728	8.2
Mid-to-upper market brands	20,394	1.5	45,070	3.2	52,230	3.3	23,363	3.3	22,929	3.2
Sub-total	104,082	3.1	235,637	5.0	427,395	6.0	190,561	6.0	369,657	7.5
After-Sales Business										
Luxury and ultra-luxury brands	88,605	40.9	131,397	47.3	181,459	47.5	77,268	47.5	105,387	47.1
Mid-to-upper market brands	63,402	42.8	71,052	45.0	79,144	47.6	34,523	45.8	44,019	50.2
Sub-total	152,007	41.6	202,449	46.5	260,603	47.5	111,791	47.0	149,406	48.0
Total	256,089	6.9	438,086	8.5	687,998	8.9	302,352	8.9	519,063	9.9

We have recorded significant growth in our revenues and profits during the Track Record Period. Our revenue increased from RMB3,701.3 million in 2008 to RMB5,164.7 million in 2009 and RMB7,716.6 million in 2010, representing a CAGR of 44.4%, and grew by 54.3% from RMB3,392.7 million for the six months ended June 30, 2010 to RMB5,233.3 million for the same period of 2011 while our net profits increased from RMB57.5 million in 2008 to RMB175.8 million in 2009 and RMB307.7 million in 2010, representing a CAGR of 131.3%, and grew by 63.0% from RMB131.2 million for the six months ended June 30, 2010 to RMB213.9 million for the same period of 2011. Our gross profit margins for automobile sales increased from 3.1% in 2008 to 5.0% in 2009, 6.0% in 2010 and 7.5% for the six months ended June 30, 2011, while our gross profit margins for our after-sales business increased from 41.6% in 2008 to 46.5% in 2009, 47.5% in 2010 and 48.0% for the six months ended June 30, 2011.

Network Expansion

We have a proven track record for rapid organic expansion and have accelerated the growth in our network since early 2009 by increasing the number of our 4S dealership stores from 13 as of December 31, 2008 to 28 (including a jointly-controlled store) as of September 30, 2011. As of September 30, 2011, over 40% of our luxury and ultra-luxury 4S dealership stores had been operating for less than one year. As our newer stores continue to ramp up their operations, we expect them to experience higher revenue growth rates than our more established stores and to contribute to an increasing percentage of our revenues and gross profits in 2011 and 2012. We operated two, six, nine and 11 BMW 4S dealership stores as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. In addition, we opened a BMW authorized repair center in 2010. Revenues derived from these BMW dealership stores and the repair center were RMB1,680.6 million, RMB2,958.2 million, RMB5,075.4 million and RMB3,403.9 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 45.4%, 57.3%, 65.8% and 65.0% of our total revenue for the relevant period. Since July 1, 2011, we have commenced operation at a new BMW dealership store, and as of the Latest Practicable Date, we received BMW's authorizations, conditional approvals and non-binding letters of intent to establish four additional BMW 4S dealership store and showrooms by the end of 2011 and another six BMW 4S dealership stores and a repair center in 2012. We will seek opportunities to expand through further organic expansion and selective acquisitions in existing and new areas and to diversify our portfolio of luxury and ultra-luxury automobile brands. With our large and strategically located dealership network, we have been able to achieve synergies that provide significant competitive advantages in China's highly fragmented automobile dealership industry. Our operating scale allows us to better manage our automobiles and spare parts inventory turnover, coordinate and aggregate our purchases of automobile accessories and other products and implement a systematic approach to train and promote talented personnel.

Our Dealership Arrangements

Each of our 4S dealership store is subject to a non-exclusive dealership authorization agreement between us and the PRC affiliate or representative of the relevant automobile manufacturer. The terms and conditions of these dealership authorization agreements vary according to the policies and practices of different automobile manufacturers. In general, each agreement specifies the location of the dealership store and requires the store to sell only the brands and models of the relevant automobile manufacturer and to observe its recommended retail pricing guidelines from time to time. These agreements range in duration from one to three years but are subject to early termination in the event of

default. None of our dealership authorization agreements were subject to early termination or not renewed upon expiry during the Track Record Period. See "Our Business—Our Dealership Network—Dealership Arrangements" for further information regarding our dealership agreements.

Automobile Recalls

We assist automobile manufacturers to process and handle recalls of their automobiles at their request. Automobile recalls are usually made as a result of design or production defects in the affected automobiles and related policies and procedures vary for different automobile manufacturers. We are compensated by automobile manufacturers for the repair services performed by us in connection with their automobile recalls and are not liable under PRC law or our dealership authorization agreements for design or production defects in the automobiles sold through our dealership stores. See "Our Business—After-Sales Services—Automobile recalls" for additional information.

Regulatory Matters

Under the Catalogue of Industries for Guiding Foreign Investment promulgated by MOFCOM and NRDC, non-PRC investors are not permitted to own more than 49% of any automobile dealership groups with more than 30 dealership stores. Upon completion of the Reorganization, all of our PRC subsidiaries will be wholly- or majority-owned directly or indirectly by our Company, a company incorporated in the Cayman Islands. We operated 28 4S dealership stores as of September 30, 2011. As of the Latest Practicable Date, we received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Eight of these planned stores have been duly established with the relevant approvals from the relevant local branches of SAIC. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that there will be no substantive legal impediment for us to obtain approval from MOFCOM or its local counterparts for the establishment of the planned new stores. See "Risk Factors—Risks Relating to Our Business—Our status as a foreign enterprise could complicate our efforts to make acquisitions or expand our dealership network in the PRC" and "Regulatory Overview—Regulations Relating to the PRC Automobile Industry—30 Dealership Limitation" for additional information.

There are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations. In the opinion of our PRC legal advisors, we have complied with relevant PRC laws, rules and regulations in all material respects, save as disclosed under "Risk Factors—Risks Relating to Our Business—We have not yet obtained valid titles or rights to use certain properties or the required permits for construction and development on certain properties occupied by us" and "Our Business—Legal Proceedings and Regulatory Compliance". Our PRC legal advisors, Jingtian & Gongcheng, have confirmed that we have been in compliance with all relevant PRC laws, rules and regulations in all material respects during the Track Record Period.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include the following:

- As a leading luxury 4S dealership group in China, we are well positioned to benefit from the anticipated rapid growth in China;

- We have a well-established network of stores strategically located in populous and affluent regions with rapidly growing economies;
- Our superior sales, after-sales services and other operational capabilities and expertise enabled us to form strong partnerships with leading automobile manufacturers;
- We have a proven track record for rapid organic expansion and successfully managing our store network across different areas;
- We are led by an experienced senior management team with a proven track record and we have a large and growing pool of skilled employees to support our expanding network and business; and
- Our large operating scale allows us to enjoy competitive advantages in China's highly fragmented automobile dealership industry.

OUR STRATEGIES

We intend to implement the following principal strategies to grow our business:

- Continue to expand our dealership network and brand offerings through organic store growth and selective acquisitions;
- Continue to enhance and expand our after-sales capabilities and capacity;
- Further enhance our operational capabilities and sales and marketing efforts; and
- Continue to attract, train and retain skilled employees to support our future growth and expansion.

SELLING SHAREHOLDER

Pursuant to the International Underwriting Agreement, Baoxin Investment will sell 50,580,000 Shares, representing approximately 2.00% of the total issued share capital of our Company immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised). In addition, the Selling Shareholder and we expect to grant the Over-allotment Option to the International Underwriters, pursuant to which, the Selling Shareholder may be required to sell up to an additional 28,449,000 Shares, representing 7.5% of the Offer Shares initially available under the Global Offering at the Offer Price.

For more details of the Selling Shareholder, please see the section headed "Relationship with our Controlling Shareholders—Selling Shareholder" in this prospectus.

PRE-IPO INVESTORS

On August 4, 2010, Shanghai Baoxin, amongst others, entered into an investment agreement (supplemented by a supplemental agreement dated December 2, 2010) with Huakong Innovation and Huakong Industry pursuant to which Huakong Innovation and Huakong Industry agreed to subscribe for an aggregate of 11.11% of the equity interests in Shanghai Baoxin for a consideration of RMB500 million. As part of the reorganisation of the Group, on June 28, 2011, Suzhou Baoxin entered into an equity transfer agreement with each of the shareholders of Shanghai Baoxin, pursuant to which Huakong Innovation and Huakong Industry transferred 4.866% and 3.244% of the equity interests in Shanghai Baoxin to Suzhou Baoxin, respectively. On July 8, 2011, Tsinghua Fund I, Tsinghua Fund II, Innovation

Capital, the Company and others entered into a shareholders' agreement which contains similar rights as that of the investment agreement (as supplemented) dated August 4, 2010 between Shanghai Baoxin and others as a result of which Tsinghua Fund I, Tsinghua Fund II and Innovation Capital subscribed for a total of 8.11% of the entire issued shares in the Company. The management and the ultimate investors of Huakong Innovation and Huakong Industry are identical to Innovation Capital and Tsinghua Fund I, Tsinghua Fund II respectively.

ONSHORE ACQUISITION

Following the pre-IPO investment and other transactions described above, Huakong Innovation and Huakong Industry owned 3% in Shanghai Baoxin. With a view to further increasing our shareholding interests and consolidating control in Shanghai Baoxin and its subsidiaries and following the investment of the pre-IPO investors in Shanghai Baoxin and the overseas reorganisation, Suzhou Baoxin entered into an equity transfer agreement with Huakong Innovation and Huakong Industry on June 28, 2011, pursuant to which Huakong Innovation and Huakong Industry agreed to sell and Suzhou Baoxin agreed to purchase 3% of the equity interests in Shanghai Baoxin at a consideration of RMB550,000,000 upon completion of the Global Offering. The consideration will be financed by the proceeds obtained from the Global Offering. The transfer of equity interests is expected to be completed within two weeks after the Listing Date. Such transaction was not entered as a condition to the Pre-IPO Investors investment in 2010. For details of the transfer please refer to "Our History and Reorganization—Reorganization—Onshore Acquisition".

SUMMARY COMBINED FINANCIAL INFORMATION

The following is a summary of our combined financial information as of and for the three years ended December 31, 2008, 2009 and 2010 and the six months period ended June 30, 2011, extracted from the Accountants' Report set out in Appendix I to this prospectus.

Combined Income Statements

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

	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	3,701,261	5,164,730	7,716,564	3,392,733	5,233,328
Cost of sales and services provided	(3,445,172)	(4,726,644)	(7,028,566)	(3,090,381)	(4,714,265)
Gross profit	256,089	438,086	687,998	302,352	519,063
Other income and gains, net	12,903	26,965	37,482	16,654	38,414
Selling and distribution costs	(97,892)	(133,756)	(177,100)	(82,195)	(131,761)
Administrative expenses	(53,469)	(68,596)	(90,985)	(42,119)	(90,997)
Profit from operations	117,631	262,699	457,395	194,692	334,719
Finance costs	(39,671)	(26,033)	(48,378)	(19,378)	(48,076)
Share of (loss)/profit of a jointly-controlled entity	—	(33)	2,907	118	2,275
Profit before tax	77,960	236,633	411,924	175,432	288,918
Tax	(20,504)	(60,788)	(104,266)	(44,239)	(75,014)
Profit for the year/period	57,456	175,845	307,658	131,193	213,904
Attributable to:					
Owners of the parent	57,673	174,756	303,940	129,298	204,013
Non-controlling interests	(217)	1,089	3,718	1,895	9,891
	57,456	175,845	307,658	131,193	213,904

Combined Statements of Financial Position

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets				
Property, plant and equipment	280,982	409,274	520,707	664,000
Land use rights	74,296	72,638	327,938	175,163
Intangible assets	—	—	—	2,264
Prepayments	2,110	2,171	7,554	12,125
Interest in a jointly-controlled entity	—	4,967	7,874	10,149
Deferred tax assets	6,371	5,782	6,549	9,171
Total non-current assets	363,759	494,832	870,622	872,872
Current Assets				
Inventories	359,894	420,165	737,953	1,515,202
Trade receivables	28,849	41,736	42,847	54,253
Prepayments, deposits and other receivables	214,596	478,905	897,726	1,078,113
Amounts due from related parties	—	1,000	33,900	37,835
Pledged bank deposits	111,971	163,623	276,149	496,818
Cash in transit	7,550	17,423	14,022	33,660
Cash and cash equivalents	86,194	212,793	384,476	414,099
Total current assets	809,054	1,335,645	2,387,073	3,629,980
Current liabilities				
Bank loans and other borrowings	262,159	547,988	807,339	1,182,456
Trade and bills payables	297,836	327,593	589,645	1,222,511
Dividend payable	—	—	—	4,932
Other payables and accruals	130,186	170,324	164,375	281,564
Amounts due to related parties	17,879	148,814	5,385	1,143,991
Income tax payable	18,196	69,804	152,713	176,607
Total current liabilities	726,256	1,264,523	1,719,457	4,012,061
Net Current Assets/(Liabilities)	82,798	71,122	667,616	(382,081)
Total Assets Less Current Liabilities	446,557	565,954	1,538,238	490,791
Net Assets	446,557	565,954	1,538,238	490,791
EQUITY				
Equity attributable to owners of the parent				
Share capital	—	—	—	—
Reserves	443,926	562,234	1,465,573	463,804
	443,926	562,234	1,465,573	463,804
Non-controlling interests	2,631	3,720	72,665	26,987
Total equity	446,557	565,954	1,538,238	490,791

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

On the bases and assumptions set out in the section headed "Profit Forecast" in Appendix III to this prospectus and in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending December 31, 2011 are set out below:

Consolidated forecast profit attributable to owners of the Company[1][2]	Not less than RMB600.0 million (approximately HK$735.7 million)
Unaudited pro forma forecast earnings per Share[3]	Not less than RMB0.237 (approximately HK$0.291)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 have been prepared are summarized in Appendix III to this prospectus.

(2) The consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 prepared by our Directors is based on the audited combined results of our Group for the six months ended June 30, 2011, the unaudited consolidated results of our Group for the three months ended September 30, 2011 and a forecast of the consolidated results of our Group for the remaining three months ending December 31, 2011 on the basis that the current group structure had been in existence throughout the whole financial year ending December 31, 2011. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by our Group as set out in the Accountants' Report in Appendix I to this prospectus.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 by a total of 2,528,740,000 Shares in issue, assuming that the Global Offering has been completed on January 1, 2011 (without taking into account the Over-allotment Option).

USE OF PROCEEDS

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

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

- approximately RMB550 million as consideration to purchase an aggregate of 3% equity interests in Shanghai Baoxin, a key operating subsidiary of the Company, held by Huakong Industry and Huakong Innovation. We plan to consummate this purchase within two weeks of the Listing Date. The consideration of RMB550 million is currently expected to be kept in an

escrow account to be released pending compliance with SAFE and other regulatory procedures. For details of the transfer please refer to "Our History and Reorganization—Reorganization—Onshore Acquisition";

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

- approximately 80% (or approximately HK$1,839 million based on the mid-point of the Offer Price range) for the expansion of our 4S dealership store network through organic growth and, if suitable opportunities arise, through selective acquisitions, alliances, joint ventures and other strategic investments. Certain details of our expansion plan of 4S dealership store network are set out below in "—Expansion Plan";

- approximately 5% (or approximately HK$115 million based on the mid-point of the Offer Price range) for the establishment of additional authorized repair centers and to upgrade and expand our after-sales service capability and capacity including expanding the after-sales service areas of our existing 4S dealership stores, purchasing related equipment and hiring additional technicians and other after-sales personnel. Certain details of our expansion plan of additional authorized repair centers are set out below in "—Expansion Plan";

- approximately 5% (or approximately HK$115 million based on the mid-point of the Offer Price range) for the general upgrade, maintenance and refurbishment of our existing 4S dealership stores; and

- approximately 10% (or approximately HK$230 million, based on the mid-point of the Offer Price range) for working capital and other general corporate purposes.

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

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

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

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

Expansion Plan

As of the Latest Practicable Date, we had received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Our showrooms engage in sales of automobiles but do not offer after-sales services. The details of these stores are described below:

Geographical Location	Brand	Store Type	Actual/Planned Commencement Date
Ningbo, Zhejiang Province	BMW	Showroom	November 2011
Qingdao, Shandong Province	BMW	Showroom	November 2011
Tianjin	BMW	Showroom	November 2011
Zibo, Shandong Province	Land Rover & Jaguar	4S store	November 2011
Dandong, Liaoning Province	BMW	4S store	December 2011
Tianjin	Land Rover & Jaguar	4S store	1st quarter of 2012
Dongguan, Guangdong Province	BMW	4S store	2nd quarter of 2012
Wuxi, Jiangsu Province	BMW	4S store	2nd quarter of 2012
Yantai, Shandong Province	BMW	4S store	2nd quarter of 2012
Fuyang, Zhejiang Province	BMW	4S store	2nd quarter of 2012
Shanghai	Audi	4S store	2nd quarter of 2012
Shenyang, Liaoning Province	BMW	Repair center	2nd quarter of 2012
Beijing	BMW	4S store	2nd quarter of 2012
Shanghai	BMW	4S store	4th quarter of 2012

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

As at the Latest Practicable Date, we do not have any understanding, commitment or agreement, and we are not engaged in any related negotiations and have not entered into any letter of intent (legally binding or otherwise), with respect to any acquisitions, alliances, joint ventures or strategic investments. See "Our Business—Our Strategies—Continue to expand dealership network and brand offerings through organic store growth and selective acquisitions".

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

OFFER STATISTICS

	Based on an Offer Price per Share of HK$8.50	Based on an Offer Price per Share of HK$10.80
Market capitalisation of our Shares[(1)]	HK$21,494 million	HK$27,310 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share[(2)]	RMB1.02 (HK$1.25)	RMB1.26 (HK$1.54)

(1) The calculation of market capitalisation is based on 2,528,740,000 Shares expected to be in issue immediately following completion of the Global Offering and the Capitalisation Issue. It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company per Share has been arrived on the basis of a total of 2,528,740,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue. It does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme.

DIVIDEND POLICY

Our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. In addition, our Controlling Shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends.

Subject to the factors above, our shareholders have resolved that an accumulated earnings of RMB227.6 million generated by our subsidiaries in China during the Track Record Period will be retained and used by these subsidiaries in China for further business development purposes when appropriate opportunities arise and will not be distributed in the foreseeable future. In 2008, our subsidiaries in China did not declare any dividends. In the years ended December 31, 2009, 2010 and the six months ended June 30, 2011, our subsidiaries in China declared dividends of RMB14.6 million, RMB4.4 million and RMB453.3 million, respectively. The dividends declared by our subsidiaries in 2009 and 2010, respectively, have been paid to Mr. Yang Aihua. The dividends declared by our subsidiaries in the six months ended June 30, 2011 will be funded by our internal resources and paid to our shareholders before the Listing Date. Our Directors are satisfied, after due and careful inquiry, that after such dividend payment, we will still have sufficient funds available to satisfy our working capital requirements, including to fund our planned dealership network expansion, for at least 12 months following the date of this prospectus. We currently intend to pay dividends of no more than 30% of our profits available for distribution of each accounting year beginning from the year ended December 31, 2011. 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 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.

Future dividend payments will also depend on the availability of dividends received from our operating subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in China to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. Additional risks and uncertainties presently not known to us or not expressed or implied below, or that we currently deem immaterial could also harm our business, financial condition and operating results.

Risks Relating to Our Business

- Our business and operations depend on, and are subject to restrictions imposed by, our dealership authorization agreements with our automobile manufacturer partners. If one or more of these agreements is terminated or not renewed, or if our business dealings with any automobile manufacturer are otherwise reduced, our business, results of operations and prospects could be adversely affected.

- Our business and operations are subject to restrictions imposed by automobile manufacturers, and we depend on their cooperation in many different aspects of our operations. If our relationship with any automobile manufacturer were to deteriorate, our business, results of operations and growth could be negatively affected.

- We depend on our BMW brand dealership stores and our dealership arrangements with our other major automobile manufacturer partners for a significant portion of our revenues.

- Our status as a foreign enterprise could complicate our efforts to make acquisitions or expand our dealership network in the PRC.

- A substantial majority of our existing stores are located in Shanghai, Jiangsu and Zhejiang.

- We have experienced significant growth over the Track Record Period and we may not sustain similar growth rates or financial performance in the future. We have recorded, and may continue to record, negative operating cashflows due to our rapid expansion.

- We recorded net current liabilities as of June 30, 2011 and we cannot assure you that we will not have net current liabilities in the future.

- Implementing our expansion plan may expose us to certain risks.

- Our business and financial performance depends on our ability to manage our inventory effectively.

- We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis or at all. Any future equity may dilute your interest in our Company, and any debt financing may contain covenants that restrict our business or operations.

- We depend on key individuals of our senior management team and our ability to attract, train, motivate and retain an adequate number of skilled personnel.

- We have not yet obtained valid titles or rights to use certain properties or the required permits for construction and development on certain properties occupied by us.

- Any automobile recall could have a negative impact on our results of operations, financial condition and growth prospects.

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

- We depend on our information technology systems.

- Our business is subject to seasonal fluctuation.

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 global economy is facing significant risks from the ongoing economic crisis in various developed countries, which may adversely affect the PRC economy and our business and results of operations.

- If there is any further fiscal or credit tightening by the PRC Government, demand for our automobiles and after-sales services, as well as our access to external financing, may decrease.

- Higher fuel prices, stricter fuel economy and emission standards and higher fuel-related taxes on automobile consumption may reduce the demand for automobiles.

- We operate in a highly regulated industry, and any failure by us to comply with applicable laws, rules or regulations, or to obtain or maintain necessary approvals, licenses and permits, may adversely affect our business and operations and subject us to fines and other penalties.

- Anti-congestion regulations and ordinances of certain Chinese cities may restrict local demand for automobiles.

Risks Relating to Conducting Business in the PRC

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

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

- There are significant uncertainties under the EIT Law relating to our PRC enterprise income tax liabilities.

- Under the EIT Law, we may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

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

- Our ability to pay dividends and utilize cash resources in our subsidiaries is dependent upon our subsidiaries' earnings and distributions.

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

- Government control over currency conversion may affect the value of our Shares and limit our ability to utilize our cash effectively.

- Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment.

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

- The state of the PRC's political relationships with other countries may affect the performance of our business.

Risks Relating to the Global Offering

- The interests of the Company's Controlling Shareholders may conflict with the best interests of its other shareholders.

- 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.

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

- Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on share transfers, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

- Due to a gap of up to five business days between pricing and trading of our Shares and given that our Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, the initial trading price of our Shares could be lower than the Offer Price.

- An active trading market in our Shares may not develop, which could have a material adverse effect on our Share price and your ability to sell your Shares.

- There are risks associated with forward-looking statements.

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

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time) adopted on November 22, 2011, a summary of which is set out in Appendix V to this prospectus
"Auspicious Splendid"	Auspicious Splendid Global Investments Limited (瑞華環球投資有限公司), an investment holding company incorporated under the laws of the BVI on February 11, 2011 and a Controlling Shareholder
"Baoxin Investment"	Baoxin Investment Management Ltd., an investment holding company incorporated under the laws of the BVI on September 6, 2010 and a Controlling Shareholder
"Beijing Hyundai"	北京現代汽車有限公司 (Beijing Hyundai Motor Co. Corp.), a joint venture in the PRC between Beijing Automotive Investment Co. Ltd., a subsidiary of Beijing Automotive Industry Holding Co., Ltd., and Hyundai Motor Co., an Independent Third Party
"Beijing Xinbaohang"	北京信寶行置業有限公司 (Beijing Xinbaohang Real Estate Co., Ltd.), a limited liability company incorporated in the PRC on June 24, 2010, which is 51% owned by Shanghai Baoxin and 49% owned by 力天集團有限公司 (Liten Group Co., Ltd.), an Independent Third Party apart from its equity interests herein
"Bentai PRC"	上海奔泰投資管理有限公司 (Shanghai Bentai Investment Management Co., Ltd.), a limited liability company incorporated in the PRC, a former shareholder of Shanghai Baoxin and an Independent Third Party
"BMW Brilliance"	華晨寶馬汽車有限公司 (BMW Brilliance Automotive Ltd.), a joint venture in the PRC between BMW Group and Brilliance China Automotive Holdings Ltd., an Independent Third Party
"BMW China"	寶馬(中國)汽車貿易有限公司 (BMW China Automotive Trading Ltd.), a PRC subsidiary of the BMW Group, an Independent Third Party
"Board" or "Board of Directors"	the board of directors of our Company

"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CADA"	China Automobile Dealers' Association
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 2,100,000,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section "A. Further Information About Our Group—3. Resolutions of Our Shareholders" in Appendix VI to this prospectus
"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 participant or a 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 or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changshu Baoxin"	常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 9, 2006, which is 70% owned by Shanghai Baoxin and 30% owned by Suzhou Baoxin
"Chiheng PRC"	上海馳恒投資管理有限公司 (Shanghai Chiheng Investment Management Co., Ltd.), a limited liability company incorporated in the PRC, a former shareholder of Shanghai Baoxin and an Independent Third Party
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Baoxin Auto Group Limited (寶信汽車集團有限公司) (formerly known as Baoxin Auto Group Ltd.), an exempted company incorporated in the Cayman Islands on September 6, 2010
"Comparable Stores for After-sales Business"	those of our 4S dealership stores that are located in a provincial, sub-provincial or prefectural city and have been in operation for at least 24 months as of January 1 of a particular fiscal year and excludes stores that are located in county cities or less developed areas. See "Financial Information—Factors Affecting Our Results of Operation—Our 4S Dealership Network" for additional information
"Comparable Stores for Automobile Sales"	those of our 4S dealership stores that are located in a provincial, sub-provincial or prefectural city and have been in operation for at least 12 months as of January 1 of a particular fiscal year and excludes stores that are located in county cities or less developed areas. As at the Latest Practicable Date, we have only one store (Changshu Baoxin) which is located in a county city and has been in operation for at least 12 months as of January 1, 2011. See "Financial Information—Factors Affecting Our Results of Operation—Our 4S Dealership Network" for additional information
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, means Baoxin Investment, Auspicious Splendid and Mr. Yang Aihua
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dandong Xinbaohang"	丹東信寶行汽車銷售服務有限公司 (Dandong Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on March 9, 2011, which is wholly-owned by Shanghai Baoxin
"Director(s)"	the director(s) of our Company
"Dongfeng Nissan"	東風日產乘用車公司 (Dongfeng Nissan Passenger Vehicle Co.), a subsidiary of Dongfeng Motor Co., Ltd., a joint venture in the PRC between Dongfeng Group and Nissan Motor Co., Ltd., an Independent Third Party
"EIT Law"	the PRC Enterprise Income Tax Law promulgated on March 16, 2007 and became effective as of January 1, 2008

"Family Trust"	the family trust set up by Ms. Yang as the settlor pursuant to a trust deed dated May 23, 2011 and a subsequent trust deed dated August 24, 2011 in respect to the shares in Baoxin BVI
"Family Trust Beneficiaries"	Mr. Yang Aihua, Mr. Yang Zehua and Mr. Yang Hansong and their respective children and further issue
"FAW Toyota"	一汽豐田汽車銷售有限公司 (FAW Toyota Motor Sales Co. Ltd.), a joint venture in the PRC among First Automobile Works Group Corp., Toyota Motor Corp., Tianjin FAW Toyota Motor Co. Ltd. and Sichuan Toyota Motor Co., Ltd., an Independent Third Party
"FAW-Volkswagen"	一汽-大眾汽車有限公司 (FAW-Volkswagen Automobile Co. Ltd.), a joint venture in the PRC among FAW Group Corporation, Volkswagen AG, Audi AG and Volkswagen Automobile (China) Investment Co., Ltd., an Independent Third Party
"Full Establish"	Full Establish Global Trading Limited (創科環球貿易有限公司), an investment holding company incorporated under the laws of BVI on February 11, 2011, a direct shareholder of our Company and an Independent Third Party
"Fuyang Baoxin"	富陽寶信汽車銷售服務有限公司 (Fuyang Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on January 11, 2011, which is 90% owned by Shanghai Baoxin and 10% owned by Mr. Wang Yang, an Independent Third Party apart from his equity interests in Hangzhou Baoxin and herein
"GAC Honda"	廣汽本田汽車有限公司 (Guangqi Honda Automobile Co., Ltd.), a joint venture in the PRC between Guangzhou Automobile Group Co., Ltd. and Honda Motor Co., an Independent Third Party
"GAC Toyota"	廣汽豐田汽車有限公司 (Guangzhou Toyota Motor Co., Ltd.), a joint venture in the PRC among Guangzhou Automobile Group Co., Ltd., Toyota Motor Corporation and Toyota Motor (China) Investment Co., Ltd., an Independent Third Party
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Coordinator"	Morgan Stanley Asia Limited
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Goffee"	Goffee Limited, an investment holding company incorporated under the laws of BVI on June 20, 2011, a direct shareholder of our Company and an Independent Third Party
"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 our subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, our present subsidiaries
"Hangzhou Baoxin"	杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 18, 2008, which is 90% owned by Shanghai Baoxin and 10% owned by Mr. Wang Yang, an Independent Third Party apart from his equity interests in Fuyang Baoxin and herein
"Hangzhou Baoxin Real Estate"	杭州寶信置業有限公司 (Hangzhou Baoxin Real Estate Co., Ltd.), a limited liability company incorporated in the PRC on August 2, 2010, which is wholly-owned by Hangzhou Baoxin
"Hengjun PRC"	上海恒駿投資管理有限公司 (Shanghai Hengjun Investment Management Co., Ltd.), a limited liability company incorporated in the PRC, a former shareholder of Shanghai Baoxin and an Independent Third Party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company 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 Offer Shares"	the 37,932,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

"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 December 1, 2011 relating to the Hong Kong Public Offering and entered into by the Global Coordinator, J.P. Morgan Securities (Asia Pacific) Limited, CMB International Securities Limited, CMB International Capital Limited, the Hong Kong Underwriters, the Controlling Shareholders, the Selling Shareholder and our Company
"Huakong Industry"	華控(天津)產業投資基金(有限合夥) (Huakong (Tianjin) Industry Investment Fund (Limited Partnership)), a limited partnership registered in the PRC, a shareholder of Shanghai Baoxin and an Independent Third Party
"Huakong Innovation"	華控創新(天津)股權投資基金合夥企業(有限合夥) (Huakong (Tianjin) Innovation Fund (Limited Partnership)), a limited partnership registered in the PRC, a shareholder of Shanghai Baoxin and an Independent Third Party
"IFRS"	the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"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
"Innovation Capital"	Innovation Capital, L.P., an exempted limited partnership registered in the Cayman Islands on June 30, 2011, a direct shareholder of our Company and an Independent Third Party
"International Offering"	the offer of the International Offer Shares 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

"International Offer Shares"	the 341,388,000 Shares being initially offered in the International Offering (comprising 290,808,000 new Shares being offered by the Company and 50,580,000 Sale Shares being offered by the Selling Shareholder for subscription or purchase under 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 reallocation
"International Underwriters"	the group of underwriters that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by the Joint Bookrunners, the International Underwriters, the Selling Shareholder, the Controlling Shareholders and our Company on or about December 7, 2011
"Jaguar Land Rover"	Jaguar Land Rover PLC, an Independent Third Party
"Jiangsu Hulong"	江蘇滬隆投資實業有限公司 (Jiangsu Hulong Investment Co., Ltd.), a limited liability company incorporated in the PRC on October 28, 2010, which is wholly-owned by Shanghai Baoxin
"Jiaxing Tianhua"	嘉興天華汽車銷售服務有限公司 (Jiaxing Tianhua Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on May 6, 2011, which is wholly-owned by Suzhou Xinbaohang
"Joint Bookrunners"	*Hong Kong Public Offering* Morgan Stanley Asia Limited J.P. Morgan Securities (Asia Pacific) Limited CMB International Capital Limited *International Offering* Morgan Stanley Asia Limited J.P. Morgan Securities Ltd. CMB International Capital Limited

"Joint Lead Managers"	*Hong Kong Public Offering* Morgan Stanley Asia Limited J.P. Morgan Securities (Asia Pacific) Limited CMB International Securities Limited *International Offering* Morgan Stanley Asia Limited J.P. Morgan Securities Ltd. CMB International Securities Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and J.P. Morgan Securities (Asia Pacific) Limited
"Kailong HK"	Kailong Investments Management Limited 開隆投資管理有限公司, a limited liability company incorporated in HK on September 21, 2010 which is wholly-owned by the Group
"Kailong PRC"	上海開隆投資管理有限公司 (Shanghai Kailong Investment Management Co., Ltd.), a limited liability company incorporated in the PRC, which was legally held 80% by Mr. Yang Aihua, 10% by Mr. Yang Hansong and 10% by Mr. Yang Zehua, a former shareholder of Shanghai Baoxin
"Land Rover & Jaguar"	the Land Rover and Jaguar brands of Jaguar Land Rover
"Latest Practicable Date"	November 26, 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about December 14, 2011, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"M&A Rules"	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) jointly adopted by MOFCOM, SAIC, SAT, SASAC, SAFE and CSRC on August 8, 2006 which became effective on September 8, 2006, as amended from time to time

"Minhang Automobiles"	上海閔行開隆汽車銷售有限公司 (Shanghai Minhang Kailong Automobiles Sales Co., Ltd.), a limited liability company incorporated in the PRC on August 11, 2011, which is wholly-owned by Shanghai Kailong Qimao
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Moral Grand"	Moral Grand Limited, an investment holding company incorporated under the laws of BVI on March 18, 2011, a direct shareholder of our Company and an Independent Third Party
"Ms. Yang"	Ms. Yang Chu Yu, aged 22, is the daughter of Mr. Yang Aihua and a Canadian citizen
"NDRC"	National Development and Reform Commission of the PRC (國家發展和改革委員會)
"Ningbo Baodinghang"	寧波寶鼎行汽車銷售服務有限公司 (Ningbo Baodinghang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on July 26, 2011, which is indirectly wholly-owned by Ningbo Baoxin
"Ningbo Baoxin"	寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on January 7, 2008, which is wholly-owned by Shanghai Baoxin
"Ningbo Tianhua"	寧波天華汽車銷售服務有限公司 (Ningbo Tianhua Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on April 11, 2011, which is wholly-owned by Suzhou Xinbaohang
"Ninghai Baoxin"	寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on February 25, 2010, which is wholly-owned by Shanghai Baoxin
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%)

"Offer Shares"	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
"Over-allotment Option"	the option expected to be granted by our Company and the Selling Shareholder to the International Underwriters, exercisable by the Global Coordinator, in consultation with the Joint Bookrunners (on behalf of the International Underwriters), pursuant to which our Company and the Selling Shareholder may be required to allot, issue and sell, as the case may be, up to an aggregate of 56,898,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any, out of which 28,449,000 Shares are expected to be issued by our Company and 28,449,000 Shares to be sold by the Selling Shareholder
"PBOC"	People's Bank of China (中國人民銀行)
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"Price Determination Date"	the date, expected to be on or about December 7, 2011, on which the Offer Price will be determined and, in any event, not later than December 8, 2011
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Qingdao Baolong"	青島寶隆汽車銷售服務有限公司 (Qingdao Baolong Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on June 3, 2011, which is indirectly wholly-owned by Qingdao Xinbaohang
"Qingdao Xinbaohang"	青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on January 4, 2008, which is wholly-owned by Shanghai Baoxin
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of the Group in preparation for the Listing, details of which are set out in the section headed "Our History and Reorganization—Reorganization" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"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"	50,580,000 Shares to be sold by the Selling Shareholder as described in "Structure of the Global Offering" in this prospectus
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Selling Shareholder"	Baoxin Investment
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shangchen PRC"	上海尚臣投資管理有限公司 (Shanghai Shangchen Investment Management Co., Ltd.), a limited liability company incorporated in the PRC which was legally held 51% by Mr. Yang Aihua and 49% by Mr. Yang Zehua, which was a former shareholder of Shanghai Baoxin
"Shanghai Baoxin"	上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on February 5, 2004, which is 97% owned by Suzhou Baoxin and 3% collectively owned by Huakong Innovation and Huakong Industry, whose equity interests are subject to an equity transfer agreement under which Huakong Innovation and Huakong Industry agree to sell their 3% equity interests to Suzhou Baoxin following the completion of the Global Offering
"Shanghai Hanchuan"	上海漢川實業有限公司 (Shanghai Hanchuan Industrial Co., Ltd.), a limited liability company incorporated in the PRC on June 2, 2006, which is wholly-owned by Mr. Yang Aihua and his nominee, Mr. Yang Hansong
"Shanghai GM"	上海通用汽車有限公司 (Shanghai General Motors Co., Ltd.), a joint venture in the PRC between SAIC Motor Corporation Ltd. and General Motors Corporation, an Independent Third Party

"Shanghai Kailong Qifu"	上海開隆汽車服務有限公司 (Shanghai Kailong Automobile Services Co., Ltd.), a limited liability company incorporated in the PRC on December 5, 2000, which is wholly-owned by Shanghai Kailong Qimao
"Shanghai Kailong Qimao"	上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.), a limited liability company incorporated in the PRC on August 24, 1999, which is wholly-owned by Shanghai Baoxin
"Shanghai Kailong Qimao Hongqiao"	上海開隆汽車貿易虹橋有限公司 (Shanghai Kailong Automobile Trading Hongqiao Co., Ltd.), a limited liability company incorporated in the PRC on April 6, 2004, which is wholly-owned by Shanghai Kailong Qimao
"Shanghai Kailong Qixiao"	上海開隆汽車銷售有限公司 (Shanghai Kailong Automobile Sales Co., Ltd.), a limited liability company incorporated in the PRC on November 15, 2001, which is controlled by Mr. Yang
"Shanghai Kailong Toyota"	上海開隆豐田汽車銷售服務有限公司 (Shanghai Kailong Toyota Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on May 31, 2002, which is 85% owned by Shanghai Kailong Qimao and 15% owned by the Shuangri Entities
"Shanghai Kailong Zhuanghuang"	上海開隆汽車裝潢服務有限公司 (Shanghai Kailong Automobile Decoration Services Co., Ltd.), a limited liability company incorporated in the PRC on June 30, 2003, which is wholly-owned by Shanghai Baoxin
"Shanghai Minhang Kailong Decoration"	上海閔行開隆汽車裝潢服務有限公司 (Shanghai Minhang Kailong Automobile Decoration Services Co., Ltd.), a limited liability company incorporated in the PRC on June 22, 2010, which is wholly-owned by Shanghai Kailong Toyota
"Shanghai Taipingyang Hongqiao"	上海太平洋虹橋汽車貿易有限公司 (Shanghai Taipingyang Hongqiao Automobile Trading Co., Ltd.), a limited liability company incorporated in the PRC on June 30, 2003, which is wholly-owned by Shanghai Kailong Qimao
"Shanghai Taipingyang Jinsha"	上海太平洋金沙汽車銷售服務有限公司 (Shanghai Taipingyang Jinsha Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on May 13, 2002, which is 90% owned by Shanghai Taipingyang Hongqiao and 10% owned by Ms. Xu Runfang, an Independent Third Party, apart from her equity interests therein

"Shanghai Taipingyang Shenlong"	上海太平洋申隆汽車銷售服務有限公司 (Shanghai Taipingyang Shenlong Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on April 29, 2005, which is wholly-owned by Shanghai Taipingyang Hongqiao
"Shanghai Tianhua"	上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.), a limited liability company incorporated in the PRC on June 7, 2002, which is wholly-owned by Shanghai Baoxin
"Shanghai Wujiaochang Kailong"	上海五角場開隆汽車貿易有限公司 (Shanghai Wujiaochang Kailong Automobile Trading Co., Ltd.), a limited liability company incorporated in the PRC on August 8, 2011, which is 70% owned by Shanghai Kailong Qimao, 21% owned by 上海五角場(集團)有限公司 (Shanghai Wujiaochang (Group) Co., Ltd.) and 9% owned by Mr. Chen Zhenghui, an Independent Third Party. Shanghai Wujiaochang (Group) Co., Ltd., an Independent Third Party apart from its equity interests therein
"Shanghai Xinlong"	上海信隆汽車銷售服務有限公司 (Shanghai Xinlong Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 30, 2002, which is wholly-owned by Shanghai Kailong Toyota
"Shanghai Xuhui Baoxin"	上海徐匯寶信汽車服務有限公司 (Shanghai Xuhui Baoxin Automobile Services Co., Ltd., formerly known as 上海徐匯寶信汽車銷售服務有限公司), a limited liability company incorporated in the PRC on January 11, 2008, which is wholly-owned by Shanghai Baoxin
"Shanghai Xuhui Kailong"	上海徐匯開隆汽車銷售服務有限公司 (Shanghai Xuhui Kailong Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on January 16, 2006, which is wholly-owned by Shanghai Kailong Toyota
"Shanghai Xuhui Kailong Second-hand Motor Vehicle"	上海徐匯開隆二手機動車經營有限公司 (Shanghai Xuhui Kailong Second-hand Motor Vehicle Trading Co., Ltd.), a limited liability company incorporated in the PRC on September 2, 2010, which is wholly-owned by Shanghai Kailong Qimao
"Shanghai Ya'ou"	上海亞歐汽車銷售服務有限公司 (Shanghai Ya'ou Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on November 25, 2004, which is wholly-owned by Shanghai Kailong Toyota

"Shanghai Zhenbei Baoxin"	上海真北寶信汽車銷售服務有限公司 (Shanghai Zhenbei Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on April 21, 2011, which is wholly-owned by Shanghai Baoxin
"Shanghai Zhongchuang"	上海中創汽車銷售有限公司 (Shanghai Zhongchuang Automobile Sales Co., Ltd.), a limited liability company incorporated in the PRC on December 19, 2003, which is wholly-owned by Shanghai Kailong Toyota
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	our share option scheme conditionally adopted pursuant to resolutions passed by our Shareholders on November 22, 2011
"Shares"	ordinary shares in the capital of our Company with nominal value of HK$0.01 each
"Shenyang Baoxinhang"	瀋陽寶信行汽車有限公司 (Shenyang Baoxinhang Automobile Co., Ltd.), a limited liability company incorporated in the PRC on August 23, 2011, which is wholly-owned by Suzhou Xinbaohang
"Shenyang Xinbaohang"	瀋陽信寶行汽車銷售服務有限公司 (Shenyang Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on July 15, 2008, which is 50% owned by Shanghai Baoxin and 50% owned by Mr. Liu Yan who, apart from his equity interest therein, an Independent Third Party
"Shuangri Entities"	日本國雙日株式會社 (Japan Shuangri Co., Ltd.) together with 雙日(中國)有限公司 (Shuangri (China) Co., Ltd.), which apart from their combined 15% equity interests in Shanghai Kailong Toyota, Independent Third Parties
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about December 7, 2011 between the Stabilizing Manager (or its affiliates acting on its behalf) and Baoxin Investment, pursuant to which Baoxin Investment will agree to lend certain Shares to the Stabilizing Manager
"Suzhou Baoxin"	蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on July 16, 2004, which is wholly-owned by Kailong HK

"Suzhou Xinbaohang"	蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 30, 2010, which is wholly-owned by Suzhou Baoxin
"Taizhou Xinbaohang"	泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on July 22, 2010, which is wholly-owned by Shanghai Baoxin
"Tianjin Baoxin"	天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 27, 2008, which is wholly-owned by Shanghai Baoxin
"Tianjin Weibaohang"	天津衛寶行汽車銷售服務有限公司 (Tianjin Weibaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on August 5, 2011, which is wholly-owned by Tianjin Baoxin
"Title Certificates"	long-term land use right certificates and/or building ownership certificates or real estate certificates
"Track Record Period"	the three financial years of our Company ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011
"Tsinghua Fund I"	Tsinghua Industry Investment Fund I, L.P., an Exempted Limited Partnership registered in the Cayman Islands on June 30, 2011, is a direct shareholder of our Company and an Independent Third Party upon Listing
"Tsinghua Fund II"	Tsinghua Industry Investment Fund II, L.P., an Exempted Limited Partnership registered in the Cayman Islands on June 30, 2011, is a direct shareholder of our Company and an Independent Third Party upon Listing
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time

"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 Service Provider **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	the World Trade Organization
"Wuxi Tianhua"	無錫天華汽車銷售服務有限公司 (Wuxi Tianhua Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on April 15, 2011, which is wholly-owned by Suzhou Xinbaohang
"Xiangsong"	Xiangsong Auto Company Limited, a limited liability company incorporated in the BVI on April 4, 2011 which is wholly-owned by our Company
"Yang Trust"	the trust set up by Ms. Yang as settlor pursuant to a trust deed dated July 12, 2011 and a subsequent trust deed dated August 11, 2011 in respect to the shares in Auspicious Splendid
"Yang Trust Beneficiaries"	Mr. Yang Aihua and Mr. Yang Zehua and their respective children and further issue
"Yangzhou Mingkai"	揚州名凱汽車銷售服務有限公司 (Yangzhou Mingkai Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on September 30, 2010, which is wholly-owned by Shanghai Taipingyang Hongqiao
"Yangzhou Xinbaohang"	揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on March 4, 2010, which is 70% owned by Shanghai Baoxin and 30% owned by Mr. Bo Yutang, an Independent Third Party apart from his equity interests herein
"Zibo Baoxin"	淄博寶信汽車銷售服務有限公司 (Zibo Baoxin Automobile Sales & Services Co., Ltd.), a limited liability company incorporated in the PRC on October 27, 2011, which is 75% owned by Shanghai Baoxin and 25% owned by Mr. Zhou Wenfang, an Independent Third Party, apart from his equity interests therein

In this prospectus, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of companies incorporated in the PRC are translations of their Chinese names and are included for identification purposes only.

An investment in our Shares involves various risks. Before investing in our Company, you should carefully consider all of the information set forth in this prospectus and in particular the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations and financial condition or the trading price of our Shares and cause you to lose your investment. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries.

RISKS RELATING TO OUR BUSINESS

Our business and operations depend on, and are subject to restrictions imposed by, our dealership authorization agreements with our automobile manufacturer partners. If one or more of these agreements is terminated or not renewed, or if our business dealings with any automobile manufacturer are otherwise reduced, our business, results of operations and prospects could be adversely affected.

Our right to operate authorized 4S dealership stores, our supply of automobiles and spare parts and other important aspects of our business and operations are governed by our dealership authorization agreements with automobile manufacturers. Our dealership authorization agreements generally have terms of one to three years with the option of renewal. The automobile manufacturers also have the right to terminate our dealership authorization agreements with written notice for specified reasons, including 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 contractual obligations. There can be no assurance that our dealership authorization agreements will be renewed on a timely basis, on commercially acceptable terms, or at all. Our discussions with automobile manufacturers to renew a dealership agreement usually start around a month before its expiration date, and we have not commenced discussions with the relevant automobile manufacturers for the renewal of the 13 dealership authorization agreements expiring by the end of 2011. Moreover, an automobile manufacturer may decide to limit the number of new dealership stores they allow us to open in the future for reasons unrelated to us, such as a change in their business strategy, or otherwise. If any of the foregoing events occur, our business, results of operations and growth prospects may be materially and adversely affected.

The operations of our dealership stores are subject to various restrictions under our dealership authorization agreements including, among other things:

- specifying the location of the relevant dealership store;
- selling only their brands of automobile at the relevant store;
- requiring us to make full payment for our automobile inventory prior to shipment and take ownership and assume risk for the automobiles either upon shipment or upon delivery;
- providing designated services such as vehicle maintenance and provision of spare parts;

- requiring us to adhere to the automobile manufacturers' design guidelines for the dealership stores; and

- requiring us to observe the automobile manufacturers' sales policies.

The restrictions imposed by, and significant influence of, automobile manufacturers on our business could limit our ability to timely respond to changes in the market or our business, which could in turn adversely affect our business and results of operations.

Our business and operations are subject to restrictions imposed by automobile manufacturers, and we depend on their cooperation in many different aspects of our operations. If our relationship with any automobile manufacturer were to deteriorate, our business, results of operations and growth could be negatively affected.

Our dealership authorization agreements subject our business and operations to various restrictions, including geographical limitations on where we can conduct sales and pricing guidelines set by automobile manufacturers for their products and related services provided by us. Any increase in the level of regulation or restrictions by our automobile manufacturer partners on our business and operations may limit our ability to respond to changes in market trends and adversely affect our business and results of operations. In addition, we depend on the cooperation of our automobile manufacturer partners in different aspects of our operations. If our relationship with any automobile manufacturer were to deteriorate, our business, results of operations and growth could be materially and negatively affected.

Incentive rebates. Our profits from the sales of automobiles and spare parts depend on the incentive rebates fixed by our automobile manufacturer partners. If one or more of our automobile manufacturer partners reduces the amount of our incentive rebates, or imposes more onerous conditions or performance targets for the payment of such incentive rebates, our profits and results of operations will be materially and adversely affected.

Product pricing. We also depend on automobile manufacturers to adopt successful pricing policies that allow us to compete effectively for customers while maintaining profitability. If automobile manufacturers raise their pricing guidelines for their products, it may have a negative impact on customer demand for their automobiles and therefore our sales. Failure to comply with a manufacturer's recommended retail pricing guidelines may constitute a breach of the relevant dealership authorization agreement, which would entitle such manufacturer to terminate the agreement or to seek damages or other remedies against us.

Supply of automobile and parts. We rely exclusively on our automobile manufacturer partners for the supply of automobiles and spare parts that we sell. Any event or development that adversely affects their ability to manufacture and deliver their products to us, such as component shortages, labor unrest or natural disasters, may also have a material adverse effect on us. We also depend on our automobile manufacturer partners to anticipate changes in market trends and consumer tastes and demand and develop attractive automobile models for our markets. If any automobile model launched by any of our automobile manufacturer partners is not well received by the market, or if the popularity of any of their existing automobile models declines, our sales volumes, revenues and profitability could decrease.

Sales and marketing. We depend on the cooperation of our automobile manufacturer partners for our sales and marketing efforts. Our sales of automobiles are affected by the manufacturers' promotional offers to customers, such as complimentary products or services and product warranties. Our advertising and promotional materials are subject to their approval. Sales of automobiles at our dealership stores are also indirectly affected by the marketing efforts of automobile manufacturers to enhance their brand awareness and brand image in the PRC. If any automobile manufacturer were to reduce the scale of its marketing efforts, or adopt an unsuccessful marketing strategy or campaign, our sales volumes, revenues and profitability could be negatively affected.

We depend on our BMW brand dealership stores and our dealership arrangements with our other major automobile manufacturer partners for a significant portion of our revenues.

We operated two, six, nine and 11 BMW 4S dealership stores as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. In addition, we opened a BMW authorized repair center in 2010. Revenues derived from these BMW dealership stores and the repair center were RMB1,680.6 million, RMB2,958.2 million, RMB5,075.4 million and RMB3,403.9 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 45.4%, 57.3%, 65.8% and 65.0% of our total revenue for the relevant period. Since July 1, 2011, we have commenced operation at a new BMW dealership store, and as of the Latest Practicable Date, we had received BMW's authorizations, conditional approvals and non-binding letters of intent to establish four additional BMW 4S dealership store and showrooms by the end of 2011 and another six BMW 4S dealership stores and a repair center in 2012. The majority of the new dealership stores which we opened during the Track Record Period were BMW brand stores and we expect our BMW dealership stores to continue to account for a significant portion of our revenues in the near future. Like all automobile dealerships, our ability to negotiate with automobile manufacturers is limited. If BMW 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 a way that would be adverse to us, or if market demand for BMW automobile diminishes, our results of operations, financial condition and growth prospects may be materially and adversely affected. If we fail to maintain our business relationship with BMW, we will seek to expand our existing collaboration with, and pursue new dealership authorizations from, other automobile manufacturers, including new business partners. We cannot assure you that we will be able to replace BMW on a timely basis or at all, or that any other automobile manufacturers that we collaborate with will generate customer demand and business at the same level as BMW. In 2008, 2009, 2010 and the six months ended June 30, 2011, purchases from our top five automobile manufacturer partners (including BMW) accounted for approximately 82.9%, 88.2%, 91.4% and 93.6% of our total purchases, respectively, and purchases from BMW, our largest supplier during the Track Record Period, accounted for approximately 23.0%, 35.5%, 46.9% and 47.7%, respectively, of our total purchases. If any of our other top five 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 a way that would be adverse to us, our results of operations, financial condition and growth prospects may be materially and adversely affected.

Our status as a foreign enterprise could complicate our efforts to make acquisitions or expand our dealership network in the PRC.

The M&A Rules established procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as us, more time-consuming and complex, particularly in some instances where the approval of MOFCOM is required for transactions involving the shares of an

offshore listed company being used as the acquisition consideration by foreign entities. In the future, we may acquire complementary businesses as part of our growth strategy. Complying with the requirements of the M&A Rules for such transactions could be time-consuming and difficult, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

There is legal uncertainty over whether the PRC has abolished the limitation that automobile dealership groups with over 30 dealership stores (including 4S dealership stores and showrooms) are not permitted to have foreign investment in excess of 49% ("30 Dealership Limitation"). Although the PRC is under WTO obligations to abolish the so-called 30 Dealership Limitation by December 11, 2006 and NDRC, MOFCOM and SAIC provide the same under each of the Automobile Sales Measures, the Measures for the Administration on Foreign Investment in Commercial Sector and the 2004 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄), the limitation was not removed from the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment promulgated by the NDRC and MOFCOM. However, according to the draft Catalogue of Industries for Guiding Foreign Investment released by NDRC and MOFCOM on April 2, 2011 for public comments, the limitation has been removed.

We operated 28 4S dealership stores as of September 30, 2011, and all of our dealership stores have obtained the requisite approvals from MOFCOM or its local counterparts. We plan to establish and acquire additional dealership stores in the future. As of the Latest Practicable Date, we had received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, and we have obtained the relevant approvals from the relevant local branches of SAIC to establish the legal entities for eight of these planned stores. We have not made any contingency plans or taken any remedial actions with regard to the 30 Dealership Limitation.

If MOFCOM or its local counterparts elect to enforce the 30 Dealership Limitation and do not approve our establishment or acquisitions of additional dealership stores (including 4S dealership stores and showrooms) in the future, we will not be able to implement our growth strategy and expand our network. In that case, we would only be able to operate our existing dealership stores that have already been approved by MOFCOM or its local counterparts and develop our business by increasing the productivity and profitability of these dealership stores, and our growth prospects and results of operations would be materially and adversely affected.

A substantial majority of our existing stores are located in Shanghai, Jiangsu and Zhejiang.

As of September 30, 2011, we operated 13 4S dealership stores and three other types of stores in Shanghai, seven stores in Jiangsu and five stores in Zhejiang. In 2010, approximately 50.9% of our revenues were derived from our stores in Shanghai, approximately 17.7% from our stores in Jiangsu and approximately 22.4% from our stores in Zhejiang. In the six months ended June 30, 2011, approximately 48.0% of our revenues were derived from our stores in Shanghai, approximately 19.1% from our stores in Jiangsu and approximately 20.5% from our stores in Zhejiang. We expect our stores in each of these areas to continue to account for significant percentages of our revenues and profits in the foreseeable future. As a result of the geographical concentration of our network in these areas, any negative event or development that affects any of these areas or their local automobile markets, such as any downturn in

their local economies, electricity shortage, natural disaster or outbreak of a contagious disease, may have a particularly significant impact on us, and our results of operations could be materially and adversely affected.

We have experienced significant growth over the Track Record Period and we may not sustain similar growth rates or financial performance in the future. We have recorded, and may continue to record, negative operating cashflows due to our rapid expansion.

We have experienced significant growth over the Track Record Period. Our revenues increased from RMB3,701.3 million in 2008 to RMB5,164.7 million in 2009 and RMB7,716.6 million in 2010, representing a CAGR of 44.4%, and grew by 54.3% from RMB3,392.7 million for the six months ended June 30, 2010 to RMB5,233.3 million for the same period of 2011. As of September 30, 2011, eight out of our 28 4S dealership stores had been operating for less than a year. Newly-established dealership stores require time to ramp up their operations and there is no assurance that our newer dealership stores will achieve their expected business and financial performance levels within an acceptable time frame or at all. We may experience delays in commencing all or part of the operations of a new store due to construction delays, delays in obtaining requisite governmental approvals and other reasons. Our future success and growth, and the performance of our new and future dealership stores, depend on many factors beyond our control, including the macroeconomic conditions in the PRC, consumer demand for our brands, the willingness of automobile manufacturers to grant us additional dealership authorizations, our automobile purchase costs, the terms of our dealership arrangements, availability and costs of land and labor in markets in which we seek to expand and availability of financing. We cannot assure you that we will achieve similar growth rates or maintain our current revenue and profit levels in future periods. In addition, we cannot assure you that the automobile industry in China in general, or the sales of luxury and ultra-luxury automobiles specifically, will sustain similar growth rates. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for the forecasted growth for mid-to-upper market, luxury and ultra-luxury passenger vehicles sales in China, and for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

We experienced operating cash outflows in 2009, 2010 and the six months ended June 30, 2011 mainly due to increases in our automobile purchases in anticipation of our sales for future periods and to stock our rapidly expanding store network, including newer stores that had not fully ramped up their sales. Such increased automobile purchases resulted in turn in significant increases in our prepayments to automobile manufacturers and automobile inventories, which had a negative impact on our operating cashflows, in the current period. Our negative operating cashflow increased from the year ended 2009 to the six months ended June 30, 2011 due to our accelerated pace of opening new dealership stores, and we are likely to continue to have negative operating cashflow in the foreseeable future due to (1) the fact that a significant percentage (nine out of 26 as of June 30, 2011) of our dealership stores commenced operation within the past 24 months and are still in the process of ramping up their automobile sales and after-sales businesses, and (2) our continued network expansion plans. We operated 28 4S dealership stores (including a jointly-controlled entity) as of September 30, 2011. As of the Latest Practicable Date, we had received authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. We may continue to experience significant operating cash outflows in the future as a

result of our continuing expansion. If we continue to record negative operating cashflows in the future, our working capital may be constrained which may materially and adversely affect our business, growth, results of operations and financial condition.

We recorded net current liabilities as of June 30, 2011 and we cannot assure you that we will not have net current liabilities in the future.

We had a net current liabilities position of RMB382.1 million as of June 30, 2011, representing a decrease of RMB1,049.7 million from our net current assets of RMB667.6 million as of December 31, 2010. This change was primarily due to a significant increase in our amounts due to related parties and increases in our trade and bills payables, bank loans and other borrowings, and other payables and accruals. Our amounts due to related parties and dividends payable increased due to dividends declared but not paid to our existing shareholders in an aggregate amount of RMB453.3 million and the acquisition by Suzhou Baoxin of the 3% equity interests in Shanghai Baoxin from the existing shareholders, Huakong Innovation and Huakong Industry, in an aggregate amount of RMB550 million. For details of the acquisition, please refer to "Our History and Reorganization—Reorganization—Onshore Acquisition". We will make the dividend payment to shareholders before the Listing Date by using our internal resources. Our trade and bills payables and bank loans and other borrowings increased due to increased automobile purchase volumes, which was attributable both to increased sales at our existing stores and to the new stores which we opened during the second half of 2010 and the first half of 2011. The increase in other payables and accruals is mainly attributable to payables incurred for the purchase of land use rights and increased advances from customers, both of which are attributable to the new 4S dealership stores which we opened during the first half of 2011. During the Track Record Period, other than the net current liabilities position as of June 30, 2011 as disclosed above, we have not experienced any net current liabilities positions. We will settle all amounts due to our related parties prior to the Listing, other than an aggregate amount of RMB550 million due to Huakong Industry and Huakong Innovation as the consideration to purchase the aggregate equity interest of 3% in Shanghai Baoxin, which amount will be settled after the completion of our Global Offering. We plan to consummate this purchase within two weeks of the Listing Date. Please see section headed "Future Plans and Use of Proceeds" for details. However, there can be no assurance that we will not record a net current liabilities position in the future due to other reasons, including the risk factors disclosed in this prospectus under the section headed "Risk Factors". If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms or at all. Any such development could materially and adversely affect our business, results of operations and financial condition.

Implementing our expansion plan may expose us to certain risks.

Our growth strategy includes the organic establishment or acquisition of third party dealerships in the PRC. There are uncertainties and risks associated with our expansion plan, including whether we will be able to:

- obtain sufficient funding for our expansion;
- obtain authorizations for new dealership stores or enter into acquisition agreements to acquire other dealerships;

- obtain necessary licenses, permits and approvals from relevant PRC Government authorities on a timely basis;
- secure premises for new dealership stores in desirable locations;
- recruit, train and retain sufficient qualified personnel; and
- commence and ramp up the operations of new dealership stores to achieve our targeted profitability within expected time frames.

In particular, any future acquisition of a third party dealership would entail additional risks, including:

- the loss of key employees or customers of the acquired entity;
- incorrect valuation of the acquired entities, or undiscovered or unanticipated liabilities related to the acquired entities;
- failure to effectively integrate the acquired entity into our existing network;
- our ability to maintain the acquired entities' existing relationships with automobile manufacturers; and
- a prolonged diversion of our management time and attention from our existing business and operations.

Should any or all of the risks in relation to our expansion plan eventuate, or if we fail to realize anticipated benefits or synergies from any acquisition, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

Our business and financial performance depend on our ability to manage our inventory effectively.

Our business and financial performance depend on our ability to maintain a reasonable level of inventory of automobiles, spare parts and automobile accessories at our dealership stores. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs. If we understock inventory, we may not be able to satisfy demand of our customers, which may cause us to forgo revenue and adversely affect our reputation.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis or at all. Any future equity may dilute your interest in our Company, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital to purchase the automobiles and spare parts inventory required by our dealership stores. In addition, we require capital to establish and, to the extent applicable, acquire new dealership groups, refurbish and maintain our 4S existing dealership stores, procure land use rights, and upgrade our information technology systems. We expect our funding needs to increase as our inventory level and prepayments for automobiles increase due to the addition of new stores and as we upgrade and refurbish our existing stores.

Historically, we have generally relied on bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. 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 other factors beyond our control, including the global and PRC economies, interest rates, applicable laws, rules and regulations and the conditions of the PRC automobile market and the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, nor can we assure you that we will be able to obtain bank loans and other external financing on a commercially reasonable, timely basis or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms or at all, our business and operations may suffer and the implementation of our expansion plans may be delayed.

To meet our future funding needs, we may issue additional equity securities or securities convertible into our ordinary shares, issue debt securities or obtain credit facilities. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We depend on key individuals of our senior management team and our ability to attract, train, motivate and retain an adequate number of skilled personnel.

Our success is, to a significant extent, attributable to the leadership of our senior management team, in particular, our chairman and executive director Mr. Yang Aihua and our executive directors Mr. Yang Hansong and Mr. Yang Zehua. If for any reason the services of any of these individuals were to become unavailable, and we were unable to find any suitable replacement on a timely basis, our business, operations and prospects may be adversely affected.

We also depend on our ability to attract, train, motivate and retain an adequate number of skilled personnel, including our dealership store managers, customer service and sales personnel and automotive engineers and technicians, for the performance and continued success of our business. Due to the strong growth in the PRC economy and the PRC automobile industry, competition for such personnel is increasingly intense. There is no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, continue to deliver high quality sales or customer services or appropriately staff new dealership stores. Our business, operations and growth plans may be materially and adversely affected if we fail to attract and retain the skilled personnel we need.

We have not yet obtained valid titles or rights to use certain properties or the required permits for construction and development on certain properties occupied by us.

Any dispute or claim in relation to the title to the properties we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, may result in our having to relocate operations therefrom and may materially and adversely affect our operations, financial condition, reputation and future growth. In addition, 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 to impose stricter requirements on us to obtain or maintain relevant Title Certificates for the properties that we occupy.

The properties occupied by our Group primarily comprise 4S dealership stores, warehouses and ancillary buildings. As of the Latest Practicable Date, we did not have valid titles or rights to certain properties that we leased. Please see the "Our Business—Properties" section in this prospectus for further details.

Properties we lease

As of the Latest Practicable Date, we leased 42 properties with an aggregate GFA of approximately 82,240.2 square meters for the building portion and an aggregate site area of approximately 166,254.3 square meters for the land portion, among which:

- For three properties with an aggregate GFA of approximately 11,299.0 square meters, accounting for 13.7% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 800.0 square meters, accounting for 0.5% of the aggregate site area of our leased land, on which we operated three 4S dealership stores as of the Latest Practicable Date, the landlords had not obtained the relevant Title Certificates. These properties are located in Wuxi, Jiangsu province, Dandong, Liaoning province and Shanghai respectively.

- For three properties with an aggregate GFA of approximately 412.0 square meters, accounting for 0.5% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 23,550.0 square meters, accounting for 14.2% of the aggregate site area of our leased land, we operated four 4S dealership stores and one repair center on such land as of the Latest Practicable Date, which was not in compliance with its designated usage. Two of these properties are located in Shanghai and the other property is located in Qingdao, Shandong province. According to PRC laws, rules and regulations, the State implements a land usage management system, and designated land usages shall be strictly complied with by relevant entities and individuals. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that the lease agreement in connection with the land may be invalidated if it is challenged for the usage non-compliance. As such, our business and operations on the land may be adversely affected.

- Four properties with an aggregate GFA of approximately 10,643.0 square meters, accounting for 12.9% of the aggregate GFA of our leased buildings, and an aggregate site area of approximately 30,761.0 square meters, accounting for 18.5% of the aggregate site area of our leased land, are collectively-owned land and are not permitted to be leased to others for non-agricultural or commercial purposes under applicable PRC laws, rules and regulations. We operated four 4S dealership stores on these properties as of the Latest Practicable Date. Three of these properties are located in the Minhang District of Shanghai and the other property is located in the Xiaoshan District of Hangzhou, Zhejiang province. Hangzhou Urban Planning Bureau Xiaoshan Branch (杭州市規劃局蕭山規劃分局) and Shanghai Minhang District Planning and Land Administration (上海市閔行區規劃和土地管理局) have confirmed that we can operate our stores on these properties. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that both authorities are competent authorities to make such confirmations, and our ability to use these four properties will not be adversely affected.

The aggregate amounts of revenues generated for the three years ended December 31, 2010 and the six months ended June 30, 2011 from the 11 4S dealership stores and one repair center located on the properties we lease with defects in title are set out as follows:

	For the year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	1,533,475	2,159,525	3,330,729	2,011,954
Percentage of total revenue (%)	41.4%	41.8%	43.2%	38.4%

The aggregate amounts of revenues generated for the three years ended December 31, 2010 and the six months ended June 30, 2011 from the four 4S dealership stores located on the four properties for which we have obtained confirmation from the relevant government authorities with respect to our operating of dealership stores thereon are set out as follows:

	For the year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	983,360	1,536,528	2,295,519	1,366,631
Percentage of total revenue (%)	26.6%	29.8%	29.7%	26.1%

If any of our leases were terminated as a result of challenges from third parties or not renewed by our landlords upon expiration, we may need to seek alternative premises and incur relocation costs. Any such relocation could disrupt our operations and adversely affect our results of operations and financial position. Based on information currently available to us, we estimate that the total cost and expenses for relocating our businesses which are located on properties with defective titles should not exceed RMB10 million, and the relocation of a 4S dealership store will generally require two to three weeks.

Any automobile recall could have a negative impact on our results of operations, financial condition and growth prospects.

Our automobile manufacturer partners have conducted recalls of their automobiles from time to time in the past as a result of defects or other problems with their products. See "Our Business—After-sales Services—Automobile Recalls." We have been advised by Jingtian & Gongcheng, our PRC legal advisors, that we are not liable under PRC laws and regulations for product defects of automobile manufacturers and, under our existing dealership arrangements, we will be compensated by automobile manufacturers for the repair services undertaken by us in connection with any automobile recall. However, automobile recalls may have a material adverse effect on customers' confidence in the quality and safety of the affected automobile brands and the reputation and image of the relevant automobile manufacturers for a period of time, which could in turn reduce demand for particular automobile brands or models offered by us. Any future automobile recall by our automobile manufacturer partners could have a negative impact on our sales which could adversely affect our results of operations, financial condition and growth prospects.

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

We carry insurance covering risks including loss and theft of and damage to our properties such as our fixed assets and inventories in our 4S dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes. 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 coverage of any business interruption insurance in the PRC. Significant uninsured damage to any of our properties, inventories or other assets, whether as a result of fire or other causes, could have a material and adverse effect on our results of operations and financial condition.

We depend on our information technology systems.

We depend on a reliable information technology, or IT, system to manage various aspects of our business. We are in the process of implementing a centralized enterprise resource planning, or ERP, system, and intend to roll out additional IT upgrades over the next 12 months. As our centralized ERP system is relatively new, we may experience problems in its implementation that cause temporary disruptions to our operations. As we implement future upgrades, we may also encounter software and hardware failures that disrupt our operations. Any failure of our information technology system and/or loss of data could have a material adverse effect on our business and operations.

Our business is subject to seasonal fluctuation.

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

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. Market practice allows the automobile manufacturers to grant non-exclusive dealership rights in the same geographical area. As a result, in many of our markets we compete with dealerships that offer competing brands of automobiles as well as dealerships that sell the same brands and models as we do. Our business is also affected by competition among automobile manufacturers in terms of quality, design and price. We also compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. We believe that 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. Increased competition among automobile manufacturers and dealerships in the PRC automobile industry could impact our market share and result in a decrease in our revenues and profits and adversely affect our growth prospects. Any changes in the

regulation of the automobile dealership industry could allow new market participants to enter the dealership business, which may intensify competition and adversely affect our business and results of operations.

The global economy is facing significant risks from the ongoing economic crisis in various developed countries, which may adversely affect the PRC economy and our business and results of operations.

Recent global market and economic conditions, including the ongoing credit crisis in Europe, the adverse economic conditions and outlook in the United States and heightened market volatility in major stock markets, have been unprecedented and challenging. Persistent concerns regarding a potentially long-term and widespread recession, geopolitical issues, the availability and cost of credit and consumer spending in major economies have contributed to reduced consumer confidence and spending and diminished expectations for economic growth around the world. The PRC economy relies significantly on its exports and any significant economic downturn, in particular a prolonged recession in Europe, the United States or other major economies, could have a material adverse effect on the PRC economy.

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 customer demand for our automobile and after-sales services, which reduces 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 manufacturer partners, which could disrupt the supply of automobiles or spare parts or increase our inventory costs.

Any of the foregoing developments could have a material adverse effect on our business, results or operations, financial conditions and business expansion.

If there is any further fiscal or credit tightening by the PRC Government, demand for our automobiles and after-sales services, as well as our access to external financing, may decrease.

The PRC Government has increased the capital reserve ratios of PRC banks and raised interest rates multiple times since early 2010 in an attempt to control credit growth and inflation in the PRC. Demand for our automobiles and after-sales services may decrease if there is any further fiscal or credit tightening by the PRC Government which reduces business or consumer spending. Many customers rely on automobile financing to fund their automobile purchases. If the PRC Government implements any

credit tightening measures that restrict the availability of automobile financing, our sales may be adversely affected. Furthermore, the availability and cost of funding to entities, such as ourselves, in the PRC, are significantly influenced by the fiscal policies of the PRC Government and the availability of credit and liquidity in the PRC banking system. Historically, we have relied in part on bank and other borrowings to fund our purchases of the automobiles and spare parts sold in our stores and our network expansion. If the PRC Government were to implement any further fiscal or credit tightening measures, our access to such borrowing and other types of financing may be reduced or otherwise restricted which could adversely affect our liquidity and our ability to fund our inventory purchases and our planned network expansion. We may also experience higher borrowing costs and a tightening of credit terms. As a result of any of the foregoing, our results of operations, financial condition and prospects may be materially and adversely affected.

Higher fuel prices, stricter fuel economy and emission standards and higher fuel-related taxes on automobile consumption may reduce the demand for automobiles.

The price of gasoline in the PRC, despite the subsidies given by the PRC Government, has been rising steadily in recent years. Continued increases in fuel prices may induce cost-sensitive customers to switch to more fuel efficient vehicles or opt for alternatives to automobiles, such as public transportation or bicycles. Such shifts in customer preferences may adversely affect our sales of certain types of automobiles, particularly in the mid-to-upper market. Reduced automobile usage may decrease demand for and frequency of maintenance and repair services for such automobiles, which may have an adverse effect on our after-sales business.

The PRC Government may implement stricter fuel economy and emission standards for automobiles sold in the PRC, which may raise manufacturing and distribution costs for automobile manufacturers and lead to higher pricing guidelines on their automobiles that negatively impact demand. These standards tend to have a greater impact on more expensive, luxury brand automobiles, which tend to be less fuel efficient.

The PRC Government adopted an automobile consumption tax on January 1, 1994. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on September 1, 2008 pursuant to the Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) as released by the PRC Ministry of Finance and the State Administration of Taxation. The new policy lowered the personal automobile consumption tax rate for vehicles with the smallest engine displacement capacity, under 1.0 liter, from 3% to 1%, but increased the tax rate on vehicles with larger engine displacements. In particular, the tax rate on vehicles with engine displacement between 3.0 and 4.0 liters was increased from 15% to 25%, and the tax rate on vehicles with engine displacement above 4.0 liters was increased from 20% to 40%. Certain of the automobiles we sell have larger engine displacement capacity and are subject to the higher automobile consumption taxes, which make those automobiles purchases more expensive for buyers.

There can be no assurance that the PRC Government will not implement stricter fuel economy and emission standards, higher automobile consumption tax rates for automobiles with larger engine displacement capacity, or impose additional restrictions or taxes. Any such measures may cause our sales to decline and adversely affect our revenues.

We operate in a highly regulated industry, and any failure by us to comply with applicable laws, rules or regulations, or to obtain or maintain necessary approvals, licenses and permits, may adversely affect our business and operations and subject us to fines and other penalties.

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits for our operations, including automobile maintenance and repair licenses, automobile insurance agent licenses, road transportation licenses. We are required to file with SAIC and be included in the list announced by SAIC from time to time under the Notice Relating to Announcement of Name List of Branded Automobile Sales Enterprises issued by SAIC. Any failure by us to comply with applicable laws, rules or regulations, or to obtain or maintain necessary approvals, licenses and permits, may adversely affect our business or operations and subject us to fines and other penalties.

As of the Latest Practicable Date, all of our PRC subsidiaries hold valid licenses to conduct their businesses or are in the process of applying for or renewing the relevant licenses. Please also refer to the sections entitled "Regulatory Overview—Regulations Relating to the PRC Automobile Industry" and "Our Business—Legal Proceedings and Regulatory Compliance" in this prospectus.

Anti-congestion regulations and ordinances of certain Chinese cities may restrict local demand for automobiles.

To curb urban traffic congestion, certain Chinese cities have adopted urban regulations and ordinances that limit new automobile registration or restrict automobile use. As of September 30, 2011, we operated 13 4S dealership stores in Shanghai, and had received non-binding letters of intent to establish another two 4S dealership stores in Shanghai as of the Latest Practicable Date. We had also received a non-binding letter of intent to establish one 4S dealership store in Beijing as of the Latest Practicable Date. Both Shanghai and Beijing impose quotas on the number of new automobile registrations permitted each month. In Shanghai, rights to new registrations are auctioned to the highest bidders, which may add to the cost of new automobile purchases. These and any future anti-congestion ordinances in the markets where we operate may restrict the ability of potential customers to purchase automobiles and in turn 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.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in PRC economic, political and social conditions, as well as government policies, 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. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC Government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, 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, controlling payment of foreign currency-denominated, obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While PRC economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC Government has also recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth. These measures may decrease economic activities in the PRC, which in turn could materially and adversely affect our business, financial condition, results of operations and 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. Furthermore, 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.

In addition, there can be no assurance that the PRC Government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations, subject us to fines or penalties imposed by the PRC Government. There can also be no assurance that the PRC Government will not amend or revise existing laws, rules or regulations, or promulgate new laws, rules or regulations, that have a material adverse effect on our business, operations, growth or prospects. Please also refer to the sections entitled "Regulatory Overview—Regulations Relating to the PRC Automobile Industry" and "Our Business—Legal Proceedings and Regulatory Compliance" in this prospectus.

There are significant uncertainties under the EIT Law relating to our PRC enterprise income tax liabilities.

Under the EIT Law, the profits of a foreign invested enterprise generated from January 1, 2008 and onwards, which are distributed to its immediate holding company outside the PRC, are subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate will be lowered to 5% if a Hong Kong resident enterprise owns over 25% of the PRC company. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發《非居民享受税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 relevant taxation treaties. However, according to a tax circular issued by the State Administration of Taxation 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 subsidiary in Hong Kong from our PRC subsidiaries, nor that the PRC tax authorities will not levy a higher withholding tax rate on such dividends in the future.

Under the EIT Law, we may be classified as a "resident enterprise" of the PRC. Such 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" 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 of rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. As no official interpretation or application of this new "resident enterprise" classification is currently available, the status and tax treatment of an enterprise registered outside the PRC in accordance with foreign laws and with a PRC individual as a controlling shareholder are unclear.

If the PRC tax authorities determine that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes, 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. In our case, this would mean that

any income sourced by us from outside the PRC such as interest on offering proceeds would be subject to PRC enterprise income tax at a rate of 25%. By comparison, there is no taxation on such income in the Cayman Islands. In addition, if the Company is treated as PRC "resident enterprise" under PRC law, it may be required to withhold PRC income tax on capital gains realized from sales of our Shares and dividends paid to non-PRC residents with respect to Offer Shares under the EIT Law as such income may be regarded as income from "sources within the PRC". In such case, our foreign corporate Shareholders may be subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

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

In utilizing the proceeds from this offering, as an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiaries, or additional capital contributions to our PRC subsidiaries. Any loans or additional capital contributions to our subsidiaries in the PRC are subject to PRC regulations and approvals. For example, loans by us to our PRC subsidiaries cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local branch.

We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart. Because our operating entities are domestic PRC enterprises, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as licensing and other regulatory issues. We cannot assure you that we can obtain the required government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds from this offering and to fund our operations in the PRC would be negatively affected, which would adversely and materially affect our liquidity and our ability to expand our business.

Our ability to pay dividends and utilize cash resources in our subsidiaries is dependent upon 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 for our future cash needs which cannot be provided for by equity issuances or borrowings outside of the PRC, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

The ability of our 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 our Company contained in financing or other agreements. If one or more of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us.

As entities established in the PRC, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund of 10% of its after-tax profit based on PRC GAAP, up to a maximum of 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries, as foreign invested enterprises, may also be required to set aside individual funds for staff welfare, bonuses and development, at the discretion of such PRC subsidiaries and as stipulated in their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation. In addition, if one or more of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends.

If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we will not be able to pay dividends, service our debt or pay our expenses.

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

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Round-Trip Investment in the PRC by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("SAFE Circular") promulgated by SAFE on October 21, 2005, which became effective on November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE's records within 30 days of any major changes in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how the SAFE Circular and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC Government authorities. We have been advised by our PRC Shareholders that they have completed their registration with SAFE and we have been advised by our PRC legal advisors, Jingtian & Gongcheng, that subsequent to the completion of the Global Offering, our PRC Shareholders will be required to update their registration with SAFE. Any failure by our relevant PRC Shareholders to make the registrations or amendments with SAFE may result in the prohibition of distributions, share transfers, or liquidations of our PRC subsidiaries, and may affect our ownership structure, acquisition strategy, business operations, and ability to make dividend payments to our Shareholders.

Government control over currency conversion may affect the value of our Shares and limit our ability to utilize our cash effectively.

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 profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict 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 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.

Fluctuation in the exchange rates of Renminbi may have a material adverse effect on your investment.

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. To the extent that we need to convert Hong Kong dollars we received from our initial public offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us. Any appreciation in the Euro, Japanese yen or other foreign currencies against Renminbi may cause automobile manufacturers to raise their prices, 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.

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

Almost all of the assets of the Company are located in the PRC. In addition, most of our Directors and senior management reside within the PRC, and the assets of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and senior management, including matters arising under applicable securities laws. Moreover, a judgement of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts

have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of courts in some jurisdictions is uncertain.

The state of the PRC's political relationships with other countries may affect the performance of our business.

We retail automobiles, spare parts, automobile accessories and other automobile-related products supplied by a number of automobile manufacturers and suppliers that either have operations in Germany, India, the United States, Japan and South Korea or that are otherwise closely associated with these countries.

The PRC's political relationships with other nations, particularly those connected or associated with automobile manufacturers or other suppliers, may affect both the supply and demand for the relevant automobile manufacturers' or suppliers' products. There can be no assurance that PRC consumers will not alter their brand preferences based on the state of political relations between the PRC and the automobile manufacturers' or suppliers' real or perceived countries of origin. Any relevant political dispute and adverse response to it by PRC automobile consumers may cause a decline in our revenues and profits and materially and adversely affect our financial condition, results of operations and prospects for growth.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of the Company's Controlling Shareholders may conflict with the best interests of its other shareholders.

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK$9.65 per Share, being the mid-point of the indicative Offer Price range from HK$8.50 to HK$10.80 per Share), the Controlling Shareholders will in the aggregate beneficially own approximately 71.95% of our issued Shares. Subject to our Memorandum and Articles of Association and applicable laws and regulations, the Controlling Shareholders 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' approval. In addition, two of our PRC subsidiaries, namely Shanghai Zhongchuang and Minhang Automobiles, currently operate a Hyundai 4S dealership store and a Nissan 4S dealership store, respectively, on a piece of land owned by Shanghai Kailong Qixiao, a company controlled by one of the Controlling Shareholders, Mr. Yang Aihua. Each of Shanghai Zhongchuang and Minhang Automobiles, as tenant, has entered into a lease agreement with Shanghai Kailong Qixiao, as landlord, pursuant to which each of these subsidiaries leases from Shanghai Kailong Qixiao the premise currently used by it. Each of the lease agreements is valid for a term of three years ending in 2014. If any of these lease agreements were terminated by Shanghai Kailong Qixiao or not renewed upon expiration, we may not be able to secure an alternative premise in a timely manner or on terms acceptable by us, 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 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 combined net tangible book value of HK$1.40 per Share (assuming an Offer Price of HK$9.65, being the mid-point of the Offer Price range of HK$8.50 to HK$10.80 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their ownership percentage.

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. 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, strategic alliances or acquisitions, industrial or environmental accidents, our suppliers may suffer, changes in our senior management personnel, changes in 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. In addition, the Hong Kong 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 in the public market, including any future sale of our Shares by those Shareholders that are currently subject to contractual and/or legal restrictions on share transfers, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the sections headed "Share Capital" and "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering" for details. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our Shares and our ability to raise capital in the future.

Due to a gap of up to five business days between pricing and trading of our Shares and given that our Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, 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 Hong Kong Stock Exchange until the Listing Date, which is generally expected to be five business days, more or less, after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period and thus 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.

An active trading market in our Shares may not develop, which could have a material adverse effect on our Share price and your ability to sell your Shares.

Prior to the Global Offering, no public market existed for our Shares. The initial offering price for our Shares will be determined by us, the Selling Shareholder and the Joint Bookrunners (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 to list our Shares on the Hong Kong Stock Exchange. However, a listing on the Hong Kong 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, 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, if at all.

There are risks associated with forward-looking statements.

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "expect", "believe", "plan to", "intend", "could", "anticipate", "estimate", "should" and "will". Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future business, operations, liquidity and capital resources. Purchasers of our Shares are cautioned that any forward-looking statements are subject to uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of these assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this "Risk Factors" section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

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 such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts

and statistics have not been independently verified by us, the Joint Sponsors, the Global Coordinator, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and therefore 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. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

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. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects and the performance of our new and planned dealership stores;
- future developments, trends and conditions in the automobile industry and markets in which we operate;
- our business goal 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 China and in the areas where our stores are located;
- changes to the regulatory environment and general outlook in the automobile industry;
- 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 growth of our network and our expansion into other geographical markets and other product or service lines;
- capital market developments and the availability to us of credit or other forms of financing; and
- change or volatility in interest rates, sales volumes, margins, the inflation rate in the PRC and overall market trends.

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. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

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. The business operations of the Group are located in China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong 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 Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong 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 Hong Kong Stock Exchange. The two authorized representatives are Mr. Yang Hansong and Ms. Pau Lai Mei;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong 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 Hong Kong Stock Exchange upon reasonable notice;

(d) CMB International Capital Limited, our compliance adviser, will act as an additional channel of communication with the Hong Kong Stock Exchange; and

(e) each Director will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Hong Kong Stock Exchange upon request.

WAIVER FROM RULE 8.17 OF THE LISTING RULES

According to Rule 8.17 of the Hong Kong Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of a listed company and who:

(a) is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or

(b) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary of an issuer.

We have appointed Mr. Chen Changdong and Ms. Pau Lai Mei as joint company secretaries. Ms. Pau is ordinarily resident in Hong Kong. Ms. Pau is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Rule 8.17 of the Listing Rules.

Mr. Chen Changdong has worked as chief financial officer in the Group for seven years. By virtue of his knowledge and past experience in handling corporate finance matters, he should be capable of discharging his functions as a company secretary and he possesses the relevant experience of the Group's legal and corporate administrative matters. We believe that it is in the best interests of the Group that Mr. Chen be appointed as a joint company secretary. Since Mr. Chen does not possess the formal qualifications required of a company secretary under Rule 8.17 of the Listing Rules, we have sought and have obtained a waiver from the Hong Kong Stock Exchange such that Ms. Pau may be appointed a joint company secretary. The waiver was granted for a period of three years and during this period, Ms. Pau will work closely with, and provide assistance to, Mr. Chen. At the end of this period, the Company will liaise with the Stock Exchange to enable it to assess whether Mr. Chen, having benefited from the assistance of Ms. Pau, has acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Rule 8.17 (3) of the Listing Rules so that a further waiver is not necessary.

The above waiver will be immediately revoked when Ms. Pau ceases to provide assistance and guidance to Mr. Chen Changdong.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving our information to the public. Our Directors, having made all reasonable enquiries confirm 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 herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The 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 any information or representation not contained herein must not be relied upon as having been authorized by us, the Controlling Shareholders, the Selling Shareholder, the Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" and the procedures for applying for Hong Kong Offer Shares are set out in "How to Apply for the Hong Kong Offer Shares" and the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE 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, her or its acquisition of Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus 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 and sale 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 OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the listing committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and any Shares to be issued and/or sold pursuant to the exercise of the Over-allotment Option.

No part of our Shares 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.

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 Selling Shareholder, the Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Underwriters and any of our or 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.

REGISTER OF MEMBERS AND STAMP DUTY

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

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

EXCHANGE RATES

For the purpose of illustration only and unless otherwise specified in this prospectus, the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8156 to HK$1.00, the exchange rate set by PBOC for foreign exchange transactions prevailing on November 24, 2011, and the translation of Hong Kong dollars into U.S. dollars has been made at the rate of HK$7.7880 to US$1.00, the noon buying rate in New York City for cable transfers as certified for customs purpose by the Federal Reserve Bank of New York on November 18, 2011. No representation is made that any amounts in Renminbi or Hong Kong dollar can be or could have been at the relevant date converted at the above rate or any other rates or at all.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
YANG Aihua	Room 403, No. 11 Lane 392, Tongzhou Road Hongkou District, Shanghai PRC	PRC
YANG Hansong	Room 19D, No. 3 Lane 460, Kangding Road Jingan District, Shanghai PRC	PRC
YANG Zehua	Room A, 7/F, No. 17 Lane 722, Anyuan Road Putuo District, Shanghai PRC	PRC
HUA Xiuzhen	Room 19E, No. 3 Lane 460, Kangding Road Jingan District, Shanghai PRC	PRC
ZHAO Hongliang	No. 13, Lane 809 Tangshan Road Hongkou District, Shanghai PRC	PRC
Non-Executive Directors		
ZHANG Yang	No. 2101, Unit 1, 2/F No. 8 Gongren Tiyuchang East Road Chaoyang District, Beijing PRC	PRC
Independent Non-Executive Directors		
DIAO Jianshen	No. 5, Unit 1, 8/F Sanlihe District 1 Xicheng District, Beijing PRC	PRC
WANG Keyi	2-5-1, No.186 Lingshui Road Ganjinzi District, Dalian Liaoning Province PRC	PRC
CHAN Wan Tsun Adrian Alan	42B, Tower 5 Dynasty Court Old Peak Road Mid-Levels Hong Kong	Australian

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Joint Sponsors	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central, Hong Kong
Joint Bookrunners	*Hong Kong Public Offering* Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central, Hong Kong CMB International Capital Limited Units 1803–4, 18/F, Bank of America Tower 12 Harcourt Road Central, Hong Kong *International Offering* Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom

CMB International Capital Limited
Units 1803–4, 18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Joint Lead Managers

Hong Kong Public Offering

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
8 Connaught Road
Central, Hong Kong

CMB International Securities Limited
Units 1803–4, 18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

International Offering

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

CMB International Securities Limited
Units 1803–4, 18/F, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Legal Advisors to Our Company	*As to Hong Kong and U.S. laws:* Cleary Gottlieb Steen & Hamilton (Hong Kong) 39/F, Bank of China Tower One Garden Road Central, Hong Kong *As to PRC law:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing 100025 PRC *As to Cayman Islands laws:* Maples and Calder 53/F, The Center 99 Queen's Road Central Hong Kong
Legal advisors to the Underwriters	*As to Hong Kong and U.S. laws:* Clifford Chance 28/F, Jardine House One Connaught Place Central, Hong Kong *As to PRC law:* Jun He Law Offices 20th Floor, China Resources Building 8 Jianguomenbei Avenue, Beijing 100005 PRC
Reporting Accountants	Ernst & Young *Certified Public Accountants* 18th Floor Two International Finance Center 8 Finance Street Central, Hong Kong
Property Valuer	Savills Valuation and Professional Services Limited 23/F Two Exchange Square Central, Hong Kong
Receiving Banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kowloon, Hong Kong

Principal Place of Business and Head Office in the PRC	1715 Wuzhong Road Minhang District Shanghai, PRC
Registered Office	P.O. Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Company's Website	www.klbaoxin.com *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. CHEN Changdong Ms. PAU Lai Mei
Authorized Representatives	Mr. YANG Hansong Room 19D, No. 3 Lane 460, Kangding Road Jingan District, Shanghai PRC Ms. PAU Lai Mei Tricor Services Limited Level 28, Three Pacific Place 1 Queen's Road East, Hong Kong
Audit Committee	Mr. DIAO Jianshen *(Chairman)* Mr. WANG Keyi Mr. CHAN Wan Tsun Adrian Alan
Remuneration Committee	Mr. YANG Hansong *(Chairman)* Mr. DIAO Jianshen Mr. WANG Keyi
Nomination Committee	Mr. YANG Hansong *(Chairman)* Mr. DIAO Jianshen Mr. WANG Keyi
Principal Share Registrar	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shop 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Adviser	CMB International Capital Limited Units 1803–4 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
Principal Bankers	China Merchants Bank Suzhou Branch 489 Ganjiang West Road Suzhou City Jiangsu Province PRC China Minsheng Bank Shanghai Branch 100 Pudong South Road Pudong District Shanghai PRC Shenzhen Development Bank Shanghai Bund Branch 1351 Pudong South Road Pudong New District Shanghai PRC

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Euromonitor which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Sponsors, the Global Coordinator, 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. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

We commissioned Euromonitor International ("Euromonitor"), an international market intelligence provider and an Independent Third Party, to conduct an analysis of the PRC and global passenger vehicle market. The industry report dated November 25, 2011 prepared by Euromonitor's analysts was based on their specific knowledge of the PRC automobile industry and the forecasts were based on Euromonitor's analysis of historical data and trends. This information was obtained by Euromonitor from a variety of industry sources, including relevant PRC government departments and established PRC industry organizations such as the National Bureau of Statistics, Ministry of Transportation, the China Automobile Dealers Association and China Automotive Technology & Research Center. Euromonitor has conducted interviews with market participants and industry experts in order to support, verify and cross check its estimates.

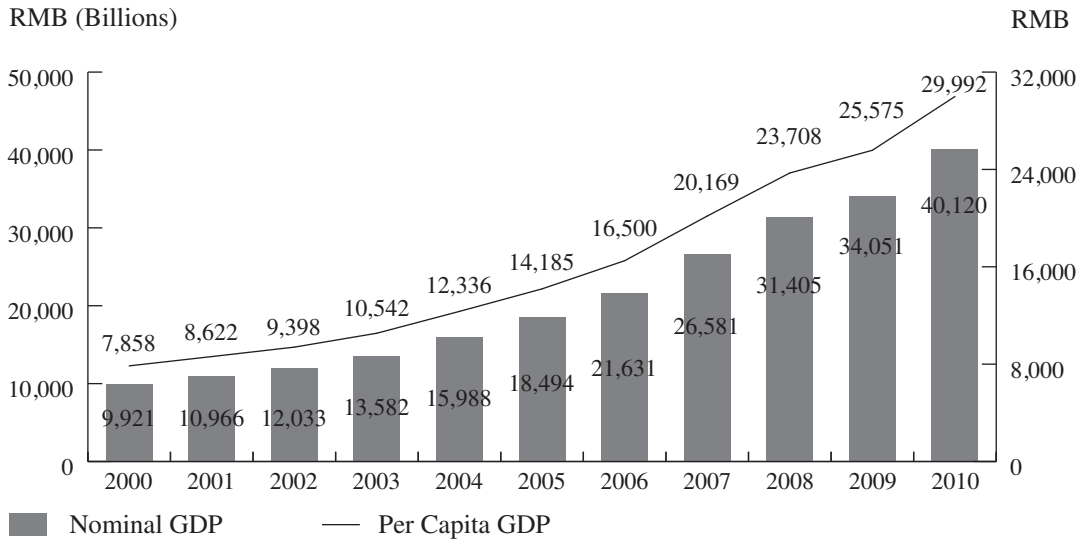
Certain information set forth in this section has been extracted from the industry report prepared by Euromonitor.

The consulting fee paid by the Company to Euromonitor in connection with the preparation of the industry report for this prospectus was approximately RMB350,000.

ECONOMIC GROWTH IN THE PRC

The Chinese economy has been growing rapidly in the past decade. According to the National Bureau of Statistics of China, the PRC's nominal GDP grew from RMB9,921 billion in 2000 to RMB40,120 billion in 2010, representing a CAGR of 15.0%, and correspondingly the PRC's nominal GDP per capita grew from RMB7,858 in 2000 to RMB29,992 in 2010, representing a CAGR of 14.3%.

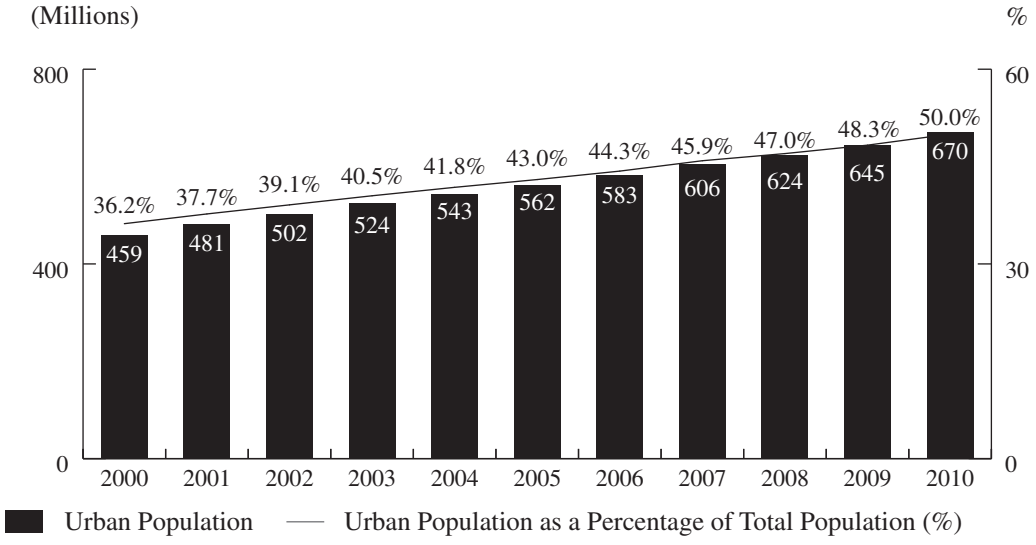
Nominal GDP and Nominal GDP per Capita in the PRC



Source: National Bureau of Statistics of China

Rapid economic growth has accelerated the urbanization process. Between 2000 and 2010, the total urban population in the PRC increased by approximately 211 million or approximately 45.9%. As of December 31, 2010, the total urban population in the PRC was approximately 666 million and accounted for approximately 50% of the total population, according to the National Bureau of Statistics of China.

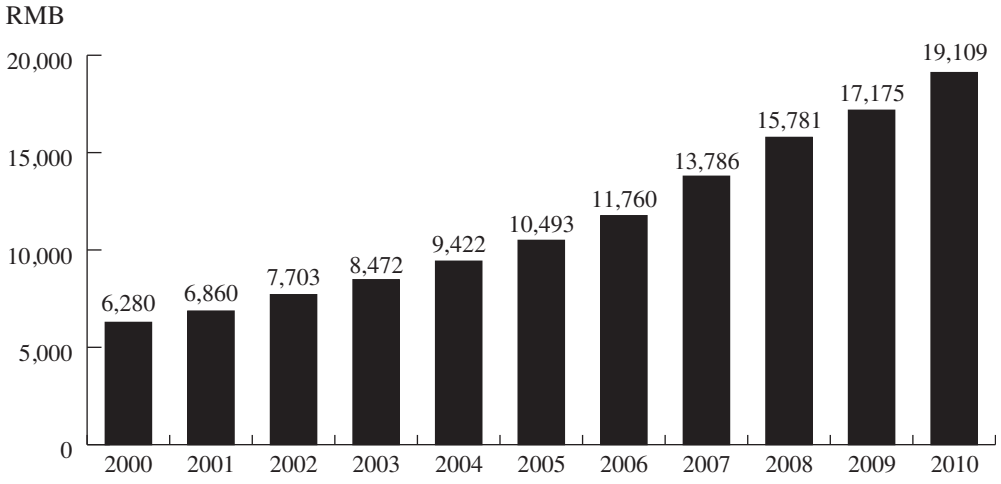
Growth of the Urban Population in the PRC



Source: National Bureau of Statistics of China

The economic growth and the urbanization trend have resulted in an increase in purchasing power. The per capita annual disposable income of urban residents has increased substantially in the past decade. During the period from 2000 to 2010, the per capita annual disposable income of urban households in the PRC increased from approximately RMB6,280 to RMB19,109, representing a CAGR of approximately 11.8%, according to the National Bureau of Statistics of China.

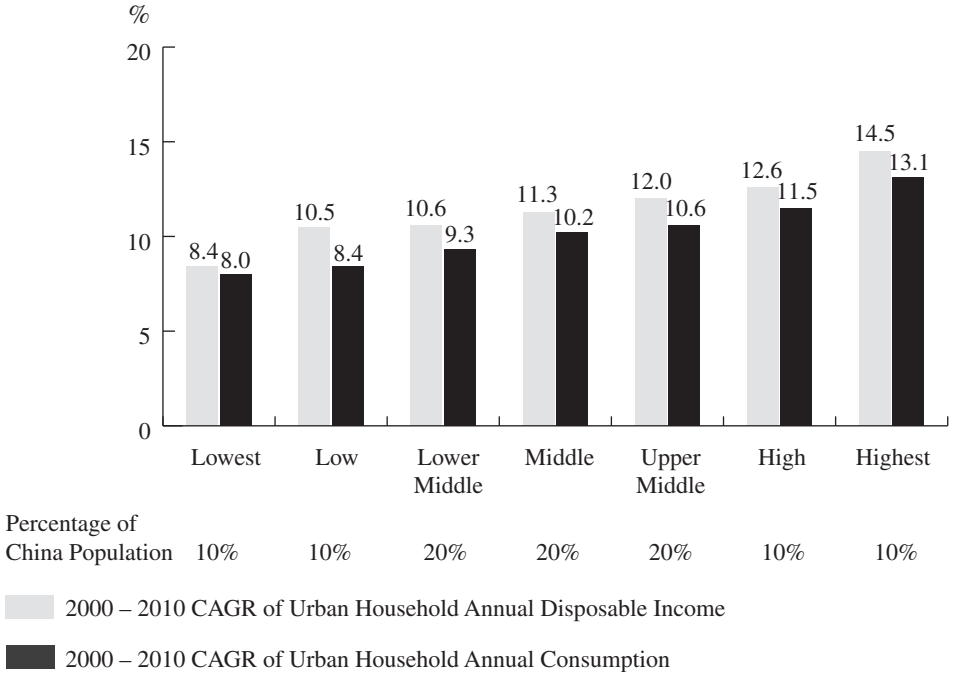
Per Capita Annual Disposable Income of Urban Households in the PRC



Source: National Bureau of Statistics of China

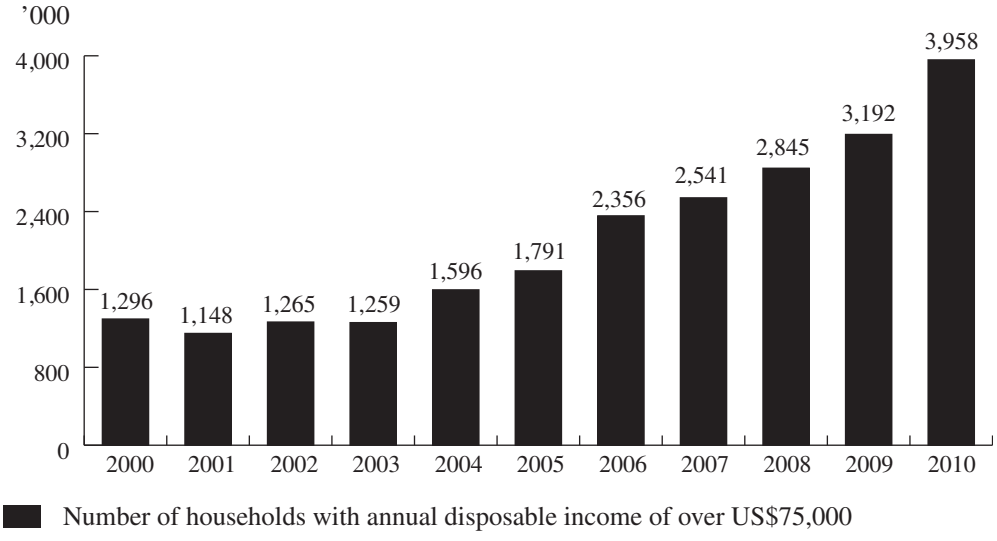
While the average per capita annual disposable income of urban households went up across all classes, the average per capita annual disposable income for the upper-middle to high income classes (including the upper middle, high and highest income classes in the chart below) grew much faster than the low to middle income classes (including the middle, lower middle, low and lowest income classes in the chart below), signaling tremendous opportunities for businesses targeted at the expanding Chinese affluent classes with stronger consumption power.

CAGR of per Capita Disposable Income and Consumption Expenditure of Urban Household of Different Income Classes in China (2000–2010)



Source: National Bureau of Statistics of China

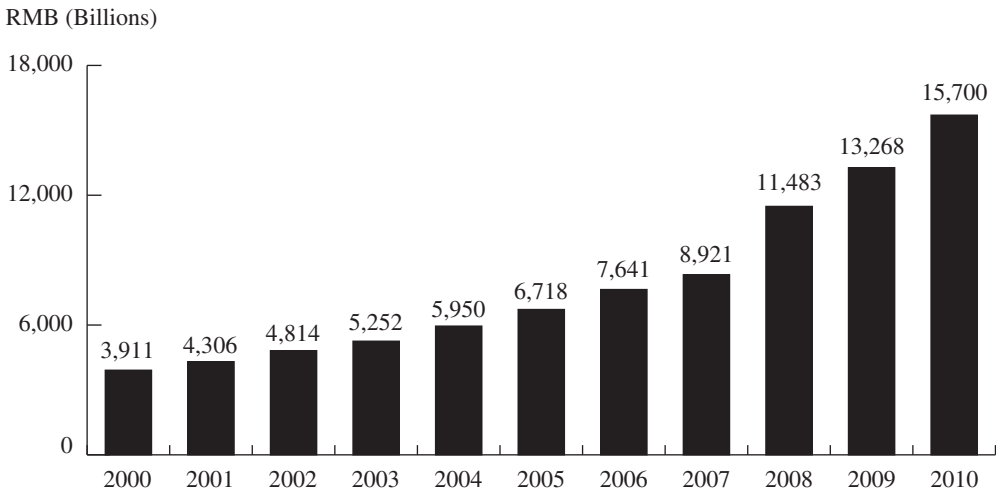
Size of Affluent Class in China



Source: Euromonitor

As a result of strong economic growth, rapid urbanization, increasing disposable income and the growing affluent class, the PRC's consumer goods market expanded significantly during the past few years. Retail sales of consumer goods in China increased from approximately RMB3,911 billion in 2000 to approximately RMB15,700 billion in 2010, representing a CAGR of approximately 14.9%, according to the National Bureau of Statistics of China.

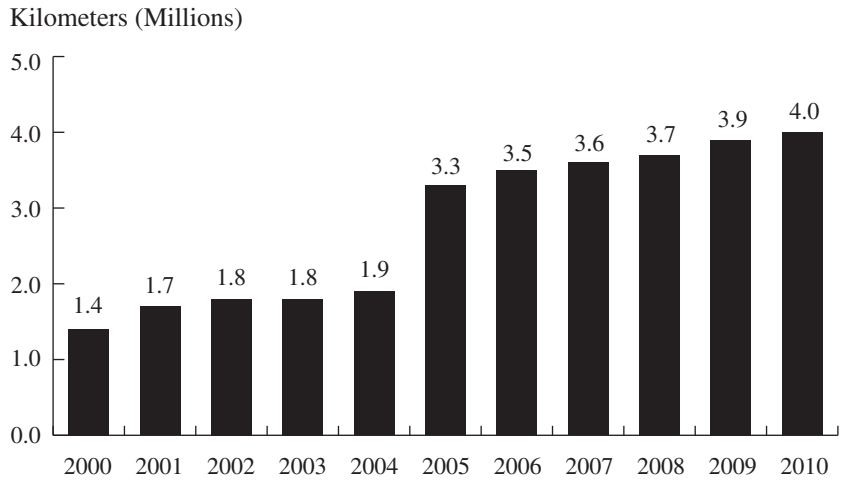
Total Retail Sales of Consumer Goods in China



Source: National Bureau of Statistics of China

The rapid economic growth and the accelerated urbanization have been coupled with substantial investment in the transportation infrastructure. The length of China's highways network grew at a CAGR of 11.1% from approximately 1.4 million kilometers in 2000 to approximately 4.0 million kilometers in 2010, according to Ministry of Transportation of China. The increasing length of highways greatly facilitates inter-city travel. Improvement in transportation infrastructure is a key driver for the growth of automobile consumption in China.

Length of Highways in the PRC



Source: Ministry of Transportation

THE PRC PASSENGER VEHICLE MARKET

Overview of the Chinese Passenger Vehicle Market

China has become the largest passenger vehicle market, and the fastest growing out of the 10 largest passenger vehicle markets worldwide

The PRC passenger vehicle industry has experienced substantial growth. Since 2009, China has become the largest segment among the global passenger vehicle market in terms of sales volumes, driven by the trends discussed above as well as other factors such as favorable government policies, the entry of global automobile manufacturers and the increasing availability of automobile financing.

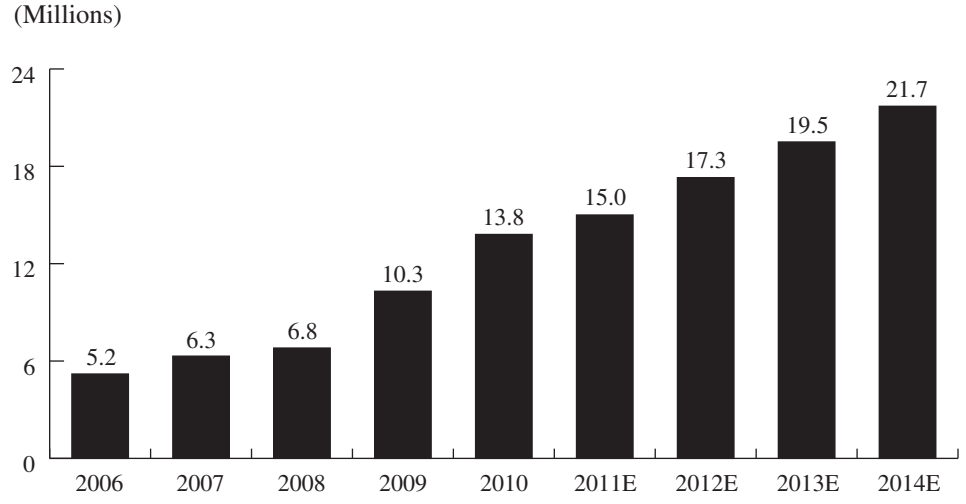
Top 10 Passenger Vehicle Markets
Number of New Passenger Vehicles Sold (millions)

Rank	Country	2009	2010	YoY (09–10)
1.	**China**	**10.33**	**13.76**	**33.2%**
2.	U.S.	5.46	5.65	3.6%
3.	Japan	3.92	4.21	7.4%
4.	Brazil	3.01	3.33	10.6%
5.	Germany	3.81	2.92	(23.4%)
6.	France	2.30	2.25	(2.2%)
7.	U.K.	2.00	2.03	1.8%
8.	Italy	2.16	1.96	(9.2%)
9.	Russia	1.47	1.91	30.0%
10	India	1.43	1.87	31.0%

Source: Euromonitor

The volume of new passenger vehicle sales increased from approximately 5.2 million units in 2006 to approximately 13.8 million units in 2010, representing a CAGR of approximately 27.7%. The strong growth momentum is expected to continue in the near future. According to Euromonitor, the sales volume of new passenger vehicles in China is expected to grow at a CAGR of approximately 13.0% from 15.0 million units in 2011 to 21.7 million units in 2014.

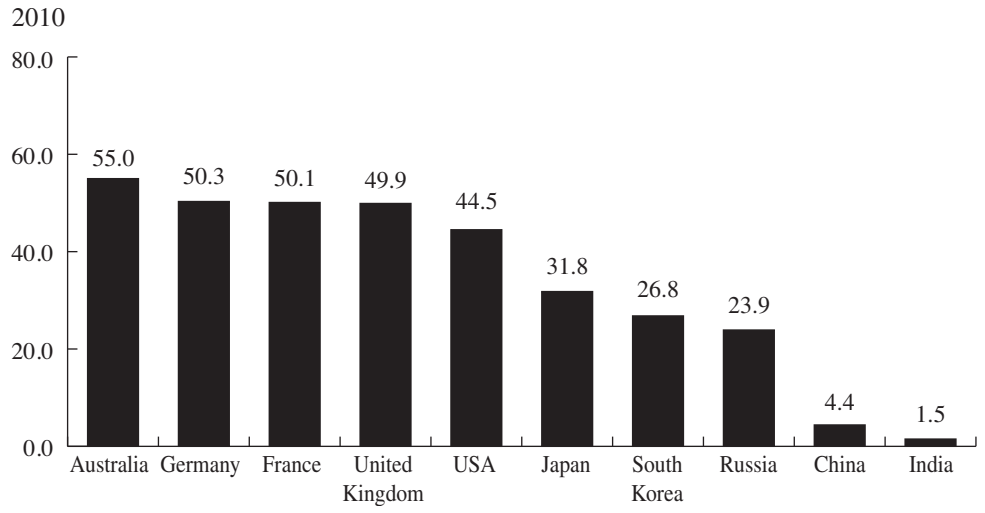
Sales Volume and Sales Volume Forecast of New Passenger Vehicles in China



Source: Euromonitor

Significant growth potential is evidenced by the historical robust growth as well as the low penetration rate of passenger vehicles in China relative to other major markets in the world. In 2010, the passenger vehicle penetration rate, which is defined as the number of passenger vehicles per 100 residents, was 4.4 in China, compared to 50.3 in Germany, 49.9 in the United Kingdom, 44.5 in the United States and 31.8 in Japan, according to Euromonitor.

Passenger Vehicle Penetration Rate[(1)]



Source: Euromonitor

All regions in China experienced strong growth in passenger vehicle consumption

Development in local economy, increase in disposable income and investment in road infrastructures are the main drivers for the passenger vehicle consumption in each region in China. Volume of passenger vehicles sold in East China, North China, Northeast China, Northwest China, Central China, Southwest China and South China grew at a CAGR of 27%, 25%, 30%, 35%, 34%, 34% and 20% from 2006 to 2010, respectively. The strong growth momentum is expected to continue in the future, according to Euromonitor.

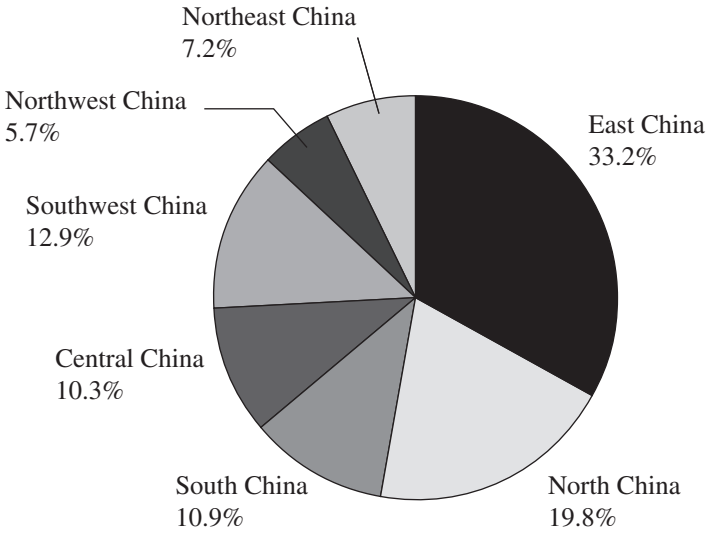
Geographical division definition

Geographical Division	Provinces Included
East China	Shanghai, Jiangsu, Shandong, Jiangxi, Zhejiang, Anhui
North China	Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia
Northeast China	Heilongjiang, Jilin, Liaoning
Northwest China	Xinjiang, Ningxia, Gansu, Shaanxi, Qinghai
Central China	Henan, Hubei, Hunan
Southwest China	Guangxi, Sichuan, Guizhou, Yunnan, Tibet, Chongqing
South China	Fujian, Hainan, Guangdong

[1] Number of passenger vehicle in use per 100 people

Regional Distribution of Passenger Vehicle Sales Volume

Based on 2010 sales volume
%



Source: Euromonitor

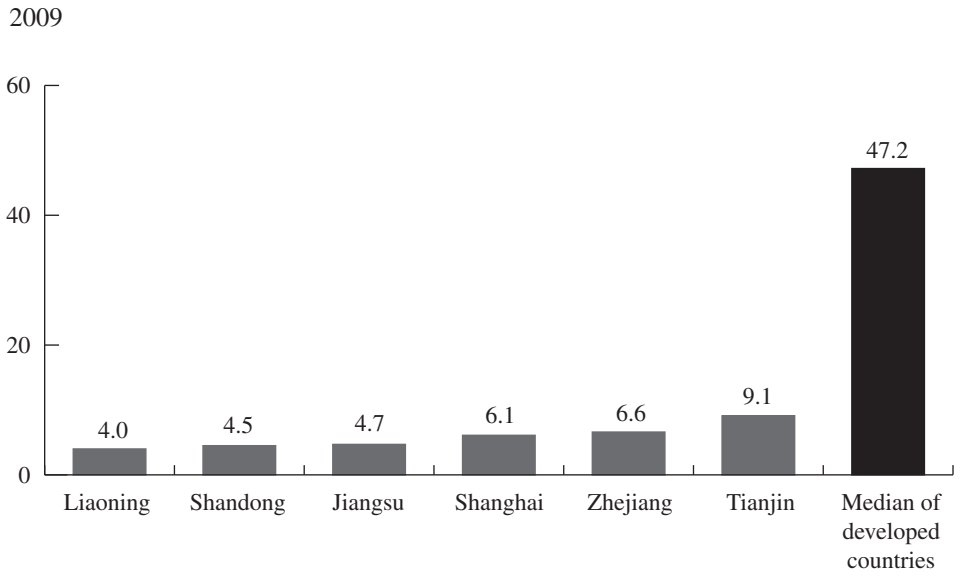
Despite the significant growth of passenger vehicle consumptions, the affluent cities and provinces in China with above average GDP per capita still demonstrate strong market potential. Their passenger vehicle penetration rates and market shares of luxury and ultra-luxury passenger vehicle are significantly lower compared to developed nations.

The passenger vehicles' penetration rates of Shanghai, Jiangsu, Zhejiang, Liaoning, Shandong and Tianjin in 2009 are 6.1, 4.7, 6.6, 4.0, 4.5 and 9.1 cars per 100 residents respectively, while the median passenger vehicle penetration rate of developed countries[(1)] is 47.2 cars per 100 residents, according to Euromonitor and Global Insight[(2)].

[1] Developed countries include US, Japan, UK and Germany

[2] Global Insight, Inc. ("Global Insight") was not commissioned by our Company or the Joint Sponsors. Global Insight is a subsidiary of IHS Inc (NYSE: IHS), which is a global information company with more than 5,500 employees in more than 30 countries around the world

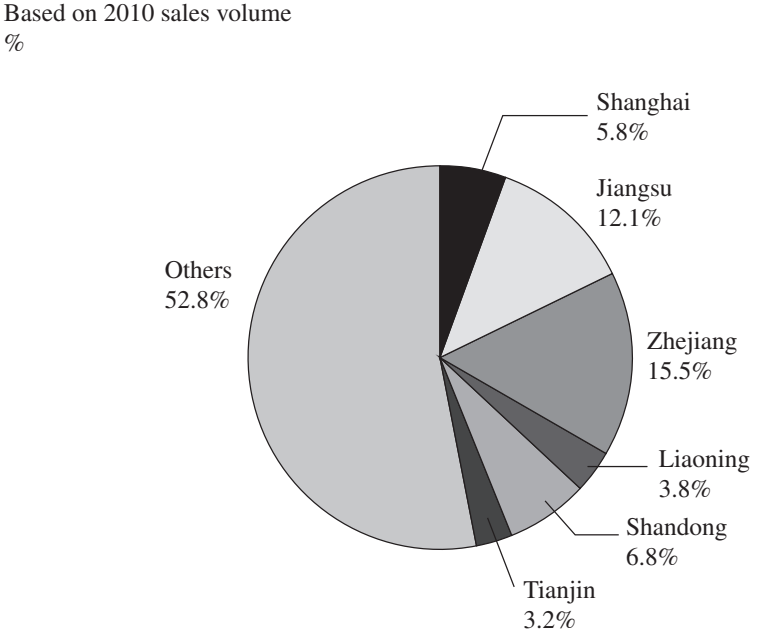
Passenger Vehicle Penetration Rate[(1)] of Selected Affluent Regions



Source: Euromonitor, National Bureau of Statistics, Global Insight

The geographic distribution of sales of luxury and ultra luxury passenger vehicles are skewed to the east coastal regions of China. Shanghai, Jiangsu, Zhejiang, Liaoning, Shandong and Tianjin accounted for 47.2% of China's total luxury and ultra-luxury passenger vehicle sales volume in 2010, according to Euromonitor. However, compared to developed nations, the penetration of luxury and ultra luxury brand in these markets are significantly lower. The following chart sets forth a comparison of market share of luxury and ultra-luxury passenger vehicles in these regions.

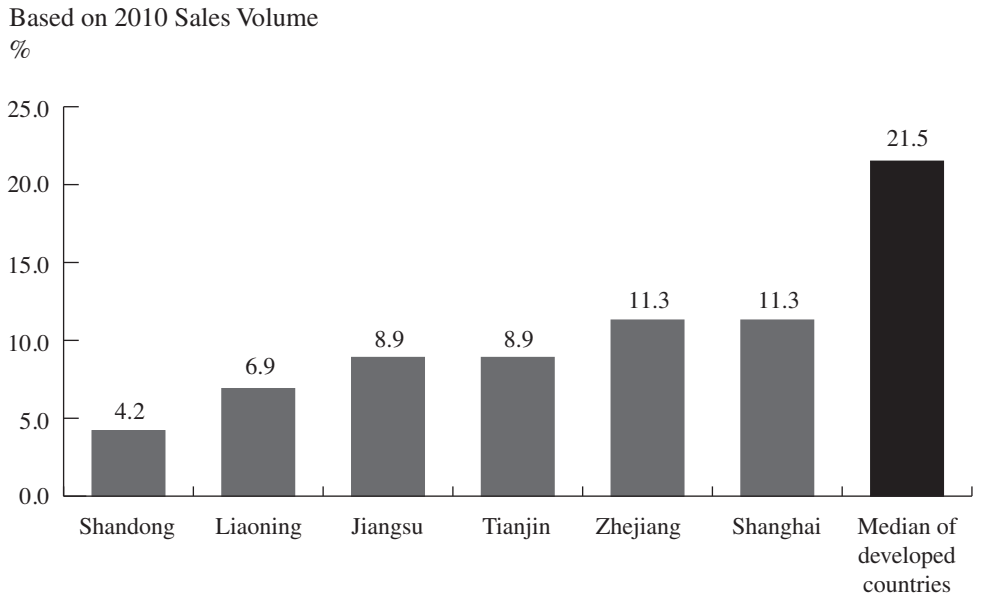
Regional Distribution of Luxury and Ultra-Luxury Passenger Vehicle Sales



Source: Euromonitor

[1] Number of passenger vehicle in use per 100 people

Market Share[(1)] of Luxury and Ultra-Luxury Passenger Vehicle of Selected Affluent Regions



Source: Euromonitor, National Bureau of Statistics, Global Insight

Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market

According to Euromonitor, the PRC passenger vehicle market can be generally segmented into four categories of brands, based on, among other things, price range and brand positioning: (i) Ultra-luxury, (ii) Luxury, (iii) Mid-to-upper Market and (iv) Low-end. The following table sets forth the representative brands and the indicative average price range of each of the market categories.

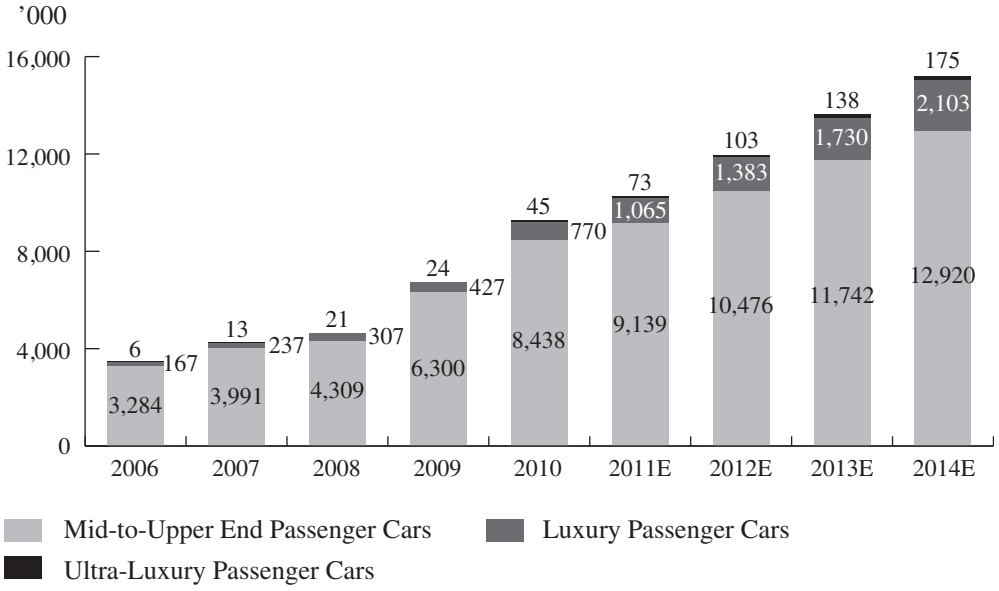
[1] Sales volume of luxury and ultra-luxury passenger vehicles as percentage of total sales volume of passenger vehicles in each region.

Market segmentation

Segment	Representative Brands	Indicative Average Price Range (RMB)
Ultra-luxury	• Land Rover & Jaguar • Bentley • Ferrari • Porsche • Rolls-Royce	Over 1 million
Luxury	• BMW • Audi • Cadillac • Lexus • MINI • Mercedes-Benz • Volvo	300,000–1 million
Mid-to-upper market	• Buick • Chevrolet • Honda • Hyundai • Nissan • Toyota • Volkswagen	80,000–300,000
Low-end	• BYD • Chery • Geely • Great Wall • Hafei • Southeast • SMA	Below 80,000

Mid-to-upper market, luxury and ultra-luxury passenger vehicles sales all experienced rapid growth in China in the past several years driven by the increasing consumption power of the upper-middle to high income classes in China. Sales volume of mid-to-upper end brand passenger vehicles grew from 3.3 million units in 2006 to 8.4 million units in 2010, representing a CAGR of 26.6% and is expected to grow at a CAGR of 12.2% from 2011 to 2014, according to Euromonitor. For luxury brand passenger vehicles, the sales volume increased from 167,462 in 2006 to 770,289 in 2010, representing a CAGR of 46.4% and is expected to grow at a CAGR of 25.5% from 2011 to 2014, according to Euromonitor. Ultra-luxury brand passenger vehicles sales volume increased from 6,493 in 2006 to 44,921 in 2010, representing a CAGR of 62.2% and is expected to grow at a CAGR of 33.7% from 2011 to 2014, according to Euromonitor. The overall sales volume of mid-to-upper market, luxury and ultra-luxury passenger vehicles grew at a CAGR of 27.9% from 2006 to 2010 and is expected to continue to grow significantly, according to Euromonitor.

Sales Volume of Mid-to-upper Market, Luxury and Ultra-luxury New Passenger Vehicles

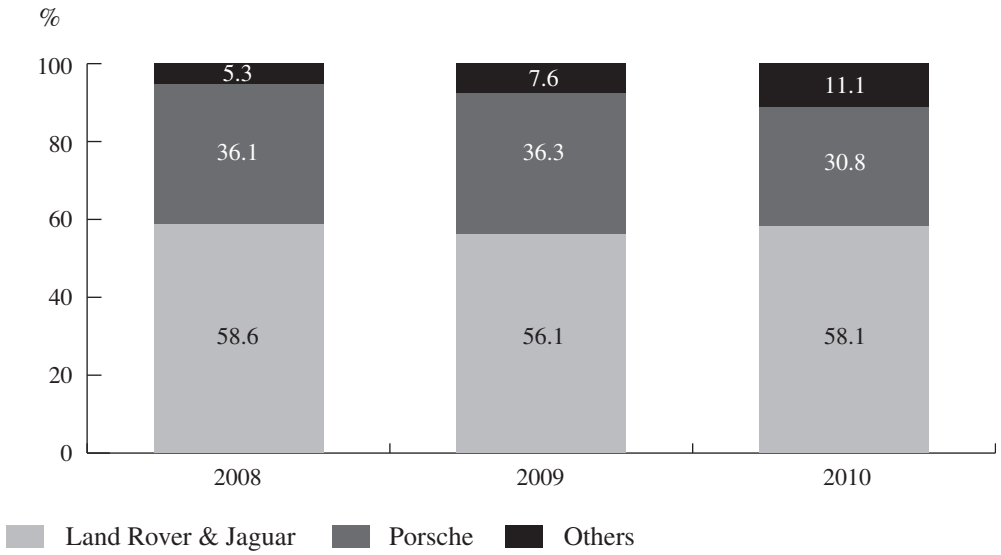


Source: Euromonitor

The ultra-luxury and luxury passenger car segments are characterized by the concentration of market share of a small number of brands. Porsche and Land Rover & Jaguar together accounted for 89.0% of the total sales volume of ultra-luxury passenger car in 2010, according to Euromonitor. Audi, BMW[(1)] and Benz accounted for 70.4% of the total sales volume of luxury passenger car in 2010, according to Euromonitor. The sales volume of these major brands also experienced significant growth. For the luxury segment, sales volume of Audi and BMW[(1)] grew at 43.5% and 86.7% from 2009 to 2010, respectively, according to Euromonitor. For the ultra-luxury segment, sales volume of Land Rover & Jaguar and Porsche grew at 95.7% and 60.6% from 2009 to 2010, respectively, according to Euromonitor.

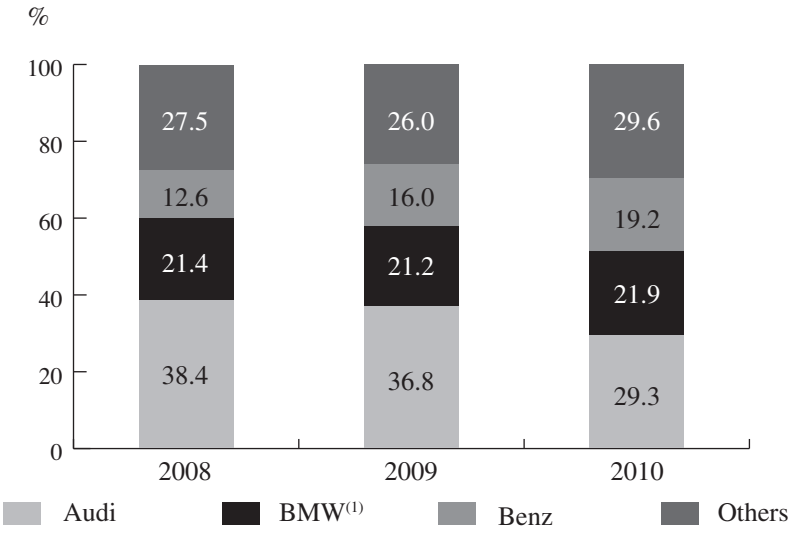
[1] Including MINI

Ultra-Luxury Passenger Vehicles Sales Volume Breakdown in the PRC



Source: Euromonitor

Luxury Passenger Vehicles Sales Volume Breakdown in the PRC

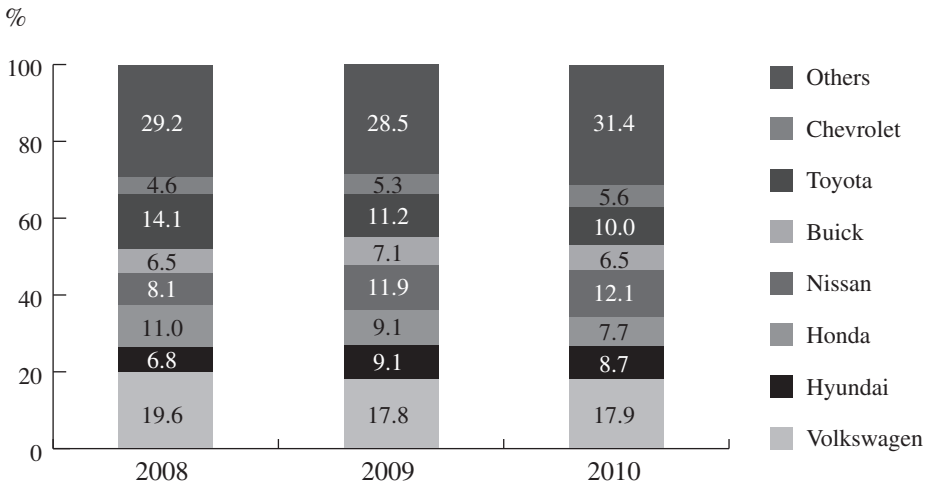


Source: Euromonitor

Some major brands in mid-to-upper market segment include Volkswagen, Hyundai, Honda, Nissan, Buick, Toyota and Chevrolet. Sales of these brands accounted for 68.6% of the total sales volume in 2010 in the mid-to-upper end passenger car segment, according to Euromonitor.

[1] Including MINI

Mid-to-upper End Passenger Vehicles Sales Volume Breakdown in the PRC



Source: Euromonitor

Retail Platforms for the Chinese Passenger Vehicle Market

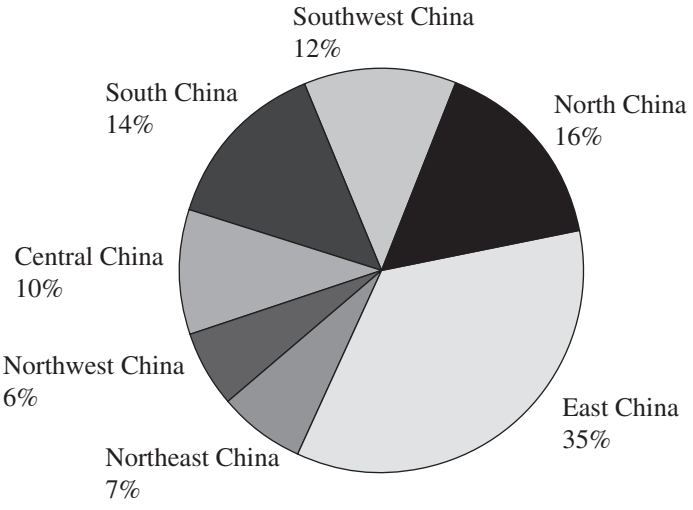
4S dealership is the major retail platform for the Chinese passenger vehicle market

The dominant retail platform in the Chinese passenger vehicle market is the specialized automobile dealerships, known as "4S dealerships" where 4S refers to sales, spare parts, service and survey. The 4S dealership retail platform was introduced to China in the mid-1990s. The dominance of the 4S dealership as the established retail platform was driven by the Automobile Sales Measures. The Automobile Sales Measures stipulate that all automobile dealers must obtain permission from automakers before retailing their brands. As a result of the introduction of the Automobile Sales Measures, other types of automobile sales platforms such as automobile trading markets and automobile supermarkets began to diminish in importance. From 2006 to 2010, total new passenger vehicle sales through 4S dealerships grew from approximately RMB605 billion to RMB1,635 billion, representing a CAGR of approximately 28.2%. Given the solid growth trend, it is expected that total passenger vehicle sales through 4S dealerships will continue to grow.

Regional distribution of 4S dealerships

As of December 31, 2010, the total number of 4S dealerships in the PRC was approximately 14,000, mostly distributed in East China.

Regional Distribution of 4S Dealerships by Number of Stores
As of December 31, 2010
%



Source: Euromonitor

Target customers of 4S dealership stores

Stores of luxury and ultra-luxury brands usually target customers with high income and high net-worth who have higher brand loyalty, higher demand for service quality and lower price sensitivity.

Mid-to-upper market brand dealership stores target customers who have a mix of consumer behavior characteristics of luxury and ultra-luxury brand customers and lower end brand customers.

Lower end brand dealership stores target customers who place more attention on factors such as price, energy efficiency and functionality of the automobiles.

Dealerships for luxury and ultra-luxury brand automobiles

Manufacturers for luxury and ultra-luxury brand automobiles generally have stringent requirements when granting dealership authorizations in order to maintain their premium brand images. Dealership groups that have large scale, proven track record, strong brand recognition and regional dominance are usually well positioned in the competition of the luxury and ultra-luxury segment of automobile dealership market. As an example, according to Euromonitor, in the BMW dealership market of China, the top 10 dealership groups by sales volume in aggregate represent 45.5% of the total sales volume of BMW[1] passenger vehicles in 2010, and these 10 groups represent 84 dealership stores, almost 50% of the total 167 dealership stores for BMW as of December 31, 2010.

(1) Including MINI

Rank	Dealership Group	2010 Market Share by Sales Volume	Number of BMW Dealership Stores as of December 31, 2010
1.	Dealership group 1	6.1%	16
2.	Our group	5.9%	9
3.	Dealership group 2	5.5%	10
4.	Dealership group 3	5.2%	10
5.	Dealership group 4	5.1%	5
6.	Dealership group 5	4.2%	10
7.	Dealership group 6	3.8%	7
8.	Dealership group 7	3.6%	9
9.	Dealership group 8	3.2%	5
10.	Dealership group 9	2.8%	3
	Subtotal	45.5%	84

Source: Euromonitor

Euromonitor has conducted comprehensive analysis on China's luxury and ultra-luxury automobile dealership market and has identified certain leading dealership groups in the segment, which include our group.

To identify leading luxury and ultra-luxury automobile dealership groups, Euromonitor referred to a list of top 50 passenger vehicle dealers ranked by sales revenue according to CADA. In addition, Euromonitor conducted desk research and interviews with automobile dealerships and industry experts, and made the assessment by considering the following factors:

(1) The major automobile brands sold by the dealership groups;

(2) The brand positioning (i.e. ultra-luxury, luxury, mid-to-upper market, and low end) of each brand;

(3) Estimates on sales contribution of ultra-luxury and luxury brands amongst all brands of each dealer; and

(4) Estimates on sales value of ultra-luxury and luxury brands of each dealer.

In the ultra-luxury segment, we commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period. The table below sets forth a list of major Land Rover & Jaguar dealership groups by number of stores and the number of new stores opened from November 1, 2010 through June 30, 2011.

Rank	Dealership Group	Number of Land Rover & Jaguar 4S stores in China as of June 30, 2011	Number of new Land Rover & Jaguar 4S stores opened between November 1, 2010 and June 30, 2011
1.	Dealership group 1	14	0
2.	Dealership group 2	12	0
3.	Dealership group 3	5	0
4.	Our Group	3	3
5.	Dealership group 4	2	0
5.	Dealership group 5	2	0
5.	Dealership group 6	2	0
5.	Dealership group 7	2	1

Source: Euromonitor

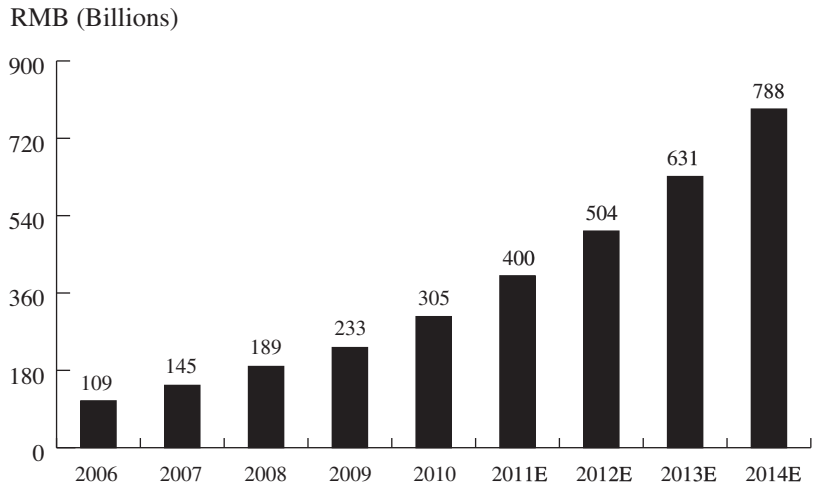
Automobile dealerships with large-scale and cross-regional operations are well positioned to capture the future growth opportunity

Industry consolidation has led to the emergence of large dealership groups whereby one dealer sets up multiple dealerships and operates multiple automobile brands. With competition intensifying, scale has become an important success factor for dealership engaged in new automobile sales. Large dealership groups are able to gain operational strength in personnel training, brand recognition, capital investment and the integration of regional market resources, which present strong competitive advantages against smaller dealership groups. In addition, large automobile dealership groups have more competitive advantages when penetrating into second and third-tier markets in China as a result of their established brand name and accumulated operating expertise. Stronger cooperative relationships with automobile manufacturers provide the larger automobile dealership groups strategic advantages in developing new market channels and retail strategies as well as in capitalizing on business opportunities. Accordingly, the development of large-scale, cross-regional operations is a growing trend for automobile dealership groups operating in China.

Chinese passenger vehicle after-sales market

The growth of the passenger vehicle market has resulted in a fast growing passenger vehicle after-sales market. The size of the Chinese passenger vehicle after-sales market expanded from RMB109 billion in 2006 to RMB305 billion in 2010 at a CAGR of 29.2%. According to Euromonitor, the Chinese passenger vehicle after-sales market is expected to grow at a CAGR of 26.8% from RMB305 billion in 2010 to RMB788 billion in 2014.

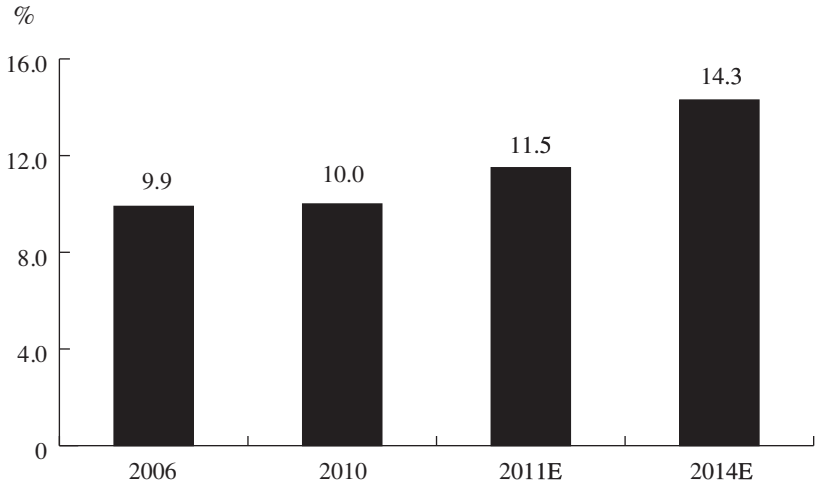
Size of the PRC Passenger Vehicle After-Sales Market[(1)]



Source: Euromonitor

As a result of the increase in number of passenger vehicles in use, the customer base for after-sales services is expected to expand accordingly, which is expected to lead to higher 4S dealership revenue contribution from after-sales services. According to Euromonitor, it is expected that after-sales services revenue would contribute to 14.3% of total 4S dealership revenue in 2014, compared to 10.0% in 2010. After-sales services generally generate higher gross margins than new passenger vehicle sales.

After-sales Revenue Contribution for 4S Dealerships



Source: Euromonitor

[1] Including the sales of automobile accessories and spare parts as well as repair, maintenance and detailing services

OVERVIEW

A summary of the main PRC laws, rules and regulations applicable to our business and operations is set out below.

REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

The PRC Automobile Industry

On March 20, 2009, the State Council issued the Automobile Industry Restructuring and Revitalization Plan (汽車產業調整和振興規劃) (the "Plan") for the period from 2009 to 2011, which clarified the areas of development of the automobile industry and provided for policy measures across multiple aspects of the automobile industry. The Plan is expected to cease to be effective by the end of 2011. Our PRC legal advisors are of the view that the Plan is a general and macro regulatory guidance by the PRC Government. We believe that the Plan has no direct attribution to the material increase in the demand in our sales and its cessation will not have any direct adverse impact on the demand in our sales.

On May 12, 2004, 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's 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.

Under the Provisional Measures on the Administration of the Verification of Foreign-Invested Projects（外商投資項目核准暫行管理辦法）promulgated by NDRC on October 9, 2004, which apply to the verification of sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises and domestic enterprises acquired by foreign investors, increases in registered capital of foreign-invested enterprises and other types of foreign-invested projects, projects with total investment below US$100 million that are within the encouraged or permitted categories of foreign investment and projects with total investment below US$50 million that are within the restricted category of foreign investment are subject to the verification of local NDRC authorities.

Specifically, projects within the restricted category of foreign investment must be verified by provincial NDRC authorities and no delegation of authority is permitted for these projects. Authorities in charge of land, urban planning, quality control, production safety supervision, industrial and commercial administration, customs, taxation and foreign exchange administration, among others, may not handle the formalities in respect of foreign-invested projects that have not passed the verification. According to the State Council Opinions on Further Improving the Use of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見) issued by the State Council on April 6, 2010, certain "encouraged and permitted foreign investment" projects with total investment (including capital increases) of US$300 million or less are subject to verification by local governments, unless the approval by the relevant the State Council departments is required under the List of the Government approved Investment Projects (政府核准的投資項目目錄). With relevant laws, regulations and approvals, departments of the State Council may delegate approval of the establishment of certain foreign invested enterprises to local governments.

New Automobile Sales

The sale of new automobile sales is subject to the Automobile Sales Measures. 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. Our PRC legal advisors, Jingtian & Gongcheng, have confirmed that under the Automobile Sales Measures, our Group is classified as an automobile brand dealer.

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, and is also subject to regulation by local municipal and commercial development authorities.

In accordance with the Automobile Sales Measures, automobile brand dealers must file registrations with the relevant local branch of MOFCOM. Further, automobile brand dealers must also file registrations with SAIC prior to commencing their business operations, and the list of registered automobile brand dealers is announced by SAIC from time to time.

30 Dealership Limitation

Prior to 2006, automobile distribution in China was subject to the 30 Dealership Limitation. Upon China's accession to the World Trade Organization in 2001, China made a commitment to abolish the 30 Dealership Limitation within five years of its accession.[1] Accordingly, each of the Automobile Sales Measures, the Measures for the Administration on Foreign Investment in Commercial Sector (外商投資商業領域管理辦法) and the 2004 Edition of the Catalogue of Industries for Guiding Foreign Investment provides that the 30 Dealership Limitation would no longer apply starting on December 11, 2006. However, there is uncertainty regarding the validity of the 30 Dealership Limitation under PRC laws and regulations because the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment included the 30 Dealership Limitation.

In response to a verbal consultation made by our PRC legal advisors, an official from MOFCOM, the competent authority to interpret the 30 Dealership Limitation, has verbally confirmed that (i) the 30 Dealership Limitation set out in the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment is not in line with China's WTO obligations to abolish the 30 Dealership Limitation; (ii) the Automobile Sales Measures was issued pursuant to China's WTO obligations; (iii) China's WTO obligations to abolish the 30 Dealership Limitation by December 11, 2006 shall prevail; and (iv) the 30 Dealership Limitation ceased to apply to automobile dealership groups with foreign ownership interests from December 11, 2006. In addition, in response to a verbal consultation made by our PRC legal advisors, an official from NDRC, another competent authority to interpret the 30 Dealership Limitation, has also verbally confirmed that (i) the Automobile Sales Measures and China's WTO obligations to

[1] China entered into the Accession to WTO Agreement (中國加入世貿組織議定書) on December 11, 2001, which states that the 30 Dealership Limitation as stipulated under Annex 9 "Schedule of Specific Commitments on Services" shall be eliminated after five years from the date of accession (i.e. December 11, 2006) when foreign chain store operators shall have the freedom of choice of any partners, legally established in China in accordance with the PRC laws and regulations.

abolish the 30 Dealership Limitation by December 11, 2006 shall prevail; (ii) the draft Catalogue of Industries for Guiding Foreign Investment released by NDRC and MOFCOM on April 2, 2011 for public comments does not include the 30 Dealership Limitation; and (iii) the 30 Dealership Limitation currently no longer applies. Therefore, accordingly, our PRC legal advisors, Jingtian & Gongcheng, have advised that (i) there will be no substantive legal impediment for us to obtain approval from MOFCOM or its local counterparts for the establishment of new stores, including the our 14 new and planned stores; (ii) we will not be subject to any penalty for exceeding the 30 Dealership Limitation; (iii) the expansion and operation of our dealership network, including our 14 new and planned stores, once established with approval from MOFCOM or its local counterparts (where applicable), would not be restricted by the 30 Dealership Limitation; and (iv) regardless of the future interpretation of the 30 Dealership Limitation, the 30 Dealership Limitation will not be applied retrospectively to the existing dealerships operated by us, and the approvals granted to our dealerships by MOFCOM and its local counterparts will remain legal, valid and effective.

Automobile Maintenance and Repair Services

Our automobile maintenance and repair business is subject to the Regulations on the Administration of Automobile Maintenance and Repair (機動車維修管理規定) (the "Automobile Repair Regulations") promulgated by the Ministry of Transportation on June 24, 2005, which became effective on August 1, 2005.

Under the Automobile Repair Regulations, an operator must have suitable facilities, equipment and technical personnel in order to operate an automobile maintenance and repair business. In addition, an operator must implement quality management systems and 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.

According to Automobile Repair Regulations, it will take 25 days to obtain the approval from relevant authority for the Road Transportation License and the subsequent renewal from the date that all required documents have been submitted. However, in practice, the time needed for obtaining approval may be longer and may exceed three months. Based on our past experience, the time required for renewing Road Transportation License varies depending on the location of the applicant as well as the location of the local government agency.

Project Initiation Approval and Road Transportation License

Foreign investment in automobile maintenance and repair business and automobile leasing business is also subject to the Regulations on the Administration of Foreign-Invested Road Transportation Services (外商投資道路運輸業管理規定) (the "Foreign-Invested Road Transportation Services Regulations"), which was promulgated by the Ministry of Transportation and MOFCOM on November 20, 2001 and became effective on November 20, 2001. According to Article 5, a foreign-invested road transportation services enterprise must comply with the policies on road transportation development and the requirements for enterprise qualification formulated by the department in charge of transportation under the State Council, and must meet the requirements for the development planning of road transportation services formulated by the department in charge for transportation of the place where the foreign-funded road transportation enterprise is to be established.

Under the Foreign-Invested Road Transportation Services Regulations, all the application documents received by the local transportation bureaus should be forwarded to the Ministry of Transportation, which is the ultimate authority for granting of the project initiation approval (the "Project Initiation Approval"), and a Project Initiation Approval should be granted by the Ministry of Transportation prior to the issuance of a Road Transportation License by the relevant local transportation bureau. Under applicable PRC laws, rules and regulations, the establishment of a foreign-invested operator must be approved by the provincial branch of MOFCOM, and such foreign-invested operator must submit its Certificate of Approval for Foreign-Invested Enterprises and apply to the local department of the Ministry of Transportation for a Road Transportation License for its automobile maintenance and repair business, prior to commencing business.

Under the Road Transportation Regulations (道路運輸條例) promulgated by the State Council on April 30, 2004 which became effective on July 1, 2004, prior to commencing an automobile maintenance and repair business, an operator must file an application with the local department of the Ministry of Transportation and obtain a Road Transportation License in order to provide automobile maintenance and repair services or operate an automobile leasing business. Violation of the Road Transportation Regulations may result in fines and suspension of business operations, and criminal liability may be imposed upon a person held directly responsible, with a sentence of imprisonment for a term which may be up to five years, criminal detention, and/or fines of one to five times the amount of the illegal gains. To successfully renew the Road Transportation License, the applicant must: (i) have necessary site to repair automobiles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing automobiles; and (iv) have adopted necessary environment protection measures.

Used Automobile Sales

Our used automobile sales operations is subject to the Measures for the Administration of the Circulation of Used Automobiles (二手車流通管理辦法) ("Used Automobiles Measures"), promulgated by MOFCOM, the Ministry of Public Security, the SAIC and the State Administration of Taxation on August 29, 2005, which became effective on October 1, 2005.

Under the Used Automobiles Measures, a used automobile dealer must provide a customer with a written contract containing warranties relating to the quality of the used automobile and must offer arrangements for after-sales services. The Used Automobile Measures also provide for the establishment of a nationwide archival system to hold the records of used automobile dealers. Used automobile dealers must obtain operation permits and file registrations with the relevant local department of MOFCOM.

In addition, a foreign-invested used automobile dealer must obtain additional approvals from MOFCOM and file registrations with the relevant local department of MOFCOM.

Automobile Insurance

We earn commission from insurance companies which provide policies to our customers on the premises of our 4S dealership stores. As such, our business operations are subject to the Regulations on Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) (the "Insurance Regulations") promulgated by the China Insurance Regulatory Commission ("CIRC") on August 4, 2000, which became effective on August 4, 2000.

The Insurance Regulations require, amongst other things, a business which facilitates insurance coverage that directly relates to its main business to apply for a license from CIRC, and to obtain authorization documentation, subject to CIRC's supervision, from the insurance agencies. Under the Insurance Regulations, each business can only have agency arrangements with one insurance company.

Automobile Loans

We obtain financing from banks and financial institutions for our operations, including for the purchase of new automobiles to be sold to our customers. Our business operations are subject to the Measures for the Management of Automobile Loans (汽車貸款管理辦法) (the "Loans Measures"), promulgated by PBOC and the China Banking Regulatory Commission ("CBRC") on August 16, 2004 which became effective on October 1, 2004.

The Loans Measures provide that an automobile dealer may not obtain financing of a term exceeding one year for the purchase of automobiles or spare parts. An automobile dealer's asset liability ratio, which equals to 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 loan. An automobile dealer will be subject to regular credit reviews and inspections conducted by the relevant financial institutions, the frequency of which is not specified in the Loans Measures.

In addition, an automobile dealer handling a loan application on behalf of its customers must be a legal person possessing a valid business license, an annual review certificate issued by MOFCOM and an automobile selling agent certificate issued by the automobile manufacturer of the relevant automobile.

Our dealership stores do not apply for loans on behalf of their customers. They refer their customers to banks to apply for loans directly.

Consumption Tax

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知) promulgated by the PRC Ministry of Finance and the State Administration of Taxation, which became effective as of September 1, 2008, the personal automobile consumption tax rate for vehicles with engine displacement capacity of less than 1.0 liter has been reduced from 3% to 1%, whereas the tax rate for vehicles with larger engine displacements has been 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%.

Fuel-efficient Automobiles Subsidy

Pursuant to the Notice on the Launch of Energy-saving Product People-benefiting Project (關於開展"節能產品惠民工程"的通知) jointly promulgated by NDRC and the PRC Ministry of Finance on May 18, 2009 and the Implementation Provisions for the Promotion of the Fuel-efficient Automobiles under the Energy-saving Product People-benefiting Project ("節能產品惠民工程"節能汽車推廣實施細則) jointly promulgated by NDRC, MIIT and the PRC Ministry of Finance on May 26, 2009, the PRC Government provides a subsidy of RMB3,000 per automobile for purchases of certain fuel-efficient automobiles with 1.6-liter or smaller engines. NDRC, MIIT and the PRC Ministry of Finance announced a catalogue of the accredited fuel-efficient automobiles eligible for such subsidy (the "Fuel-efficient Automobiles Catalogue") in June 2010 and have subsequently made amendments to the Fuel-efficient Automobiles Catalogue.

On September 7, 2011, NDRC, MIIT and the PRC Ministry of Finance 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, NDRC, MIIT and the PRC Ministry of Finance further amended the Fuel-efficient Automobiles Catalogue, which reduced the types of accredited fuel-efficient automobiles from about 400 to 37 as of October 1, 2011. The amount of subsidy remains RMB3,000 per automobile. As we primarily focus on luxury and ultra-luxury brand automobiles, which usually have higher capacity engines, the impact of these subsidy policies and the recent amendment on our business and operations has been limited. Neither the aforementioned subsidy policies and regulations nor the recent amendment to the Fuel-efficient Automobiles Catalogue had, during the Track Record Period, or is expected to have in the future, a material adverse effect on our business and operations.

Anti-congestion

On December 23, 2010, Beijing Municipal People's Government promulgated the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (北京市小客車數量調控暫行規定), which became effective as of the same date. Pursuant to this regulation and its implementation rules, the city imposes an annual quota on the issuance of new vehicle registration plates. The quota for 2011 is 240,000. Potential automobile purchasers need to meet specific criteria and enter into a monthly draw. Only candidates who have been allocated a plate in the draw can apply to have their automobiles registered with the local vehicle administration in Beijing. Shanghai has implemented an auction system for the issuance of new vehicle registration plate 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. We were not materially adversely affected by the aforementioned anti-congestion regulations during the Track Record Period.

COMPANY LAW

The incorporation and operation of our subsidiaries in China is governed by the Company Law (公司法) 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 and October 27, 2005.

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.

WHOLLY FOREIGN-OWNED ENTERPRISES

The Law on Wholly Foreign-Owned Enterprises (外資企業法) promulgated by the Standing Committee of the National People's Congress on April 12, 1986 which became effective on April 12, 1986, and as amended on October 31, 2000, governs the establishment, operation and management of foreign-owned enterprises.

MERGERS AND ACQUISITIONS

The M&A Rules govern, amongst other things, the purchase by foreign investors of equity interests in a domestic enterprise, the subscription by foreign investors of equity interests in a domestic enterprise, and the purchase and operation by foreign investors of the assets and business of a domestic enterprise.

In addition, the M&A Rules contain provisions which purport to require an offshore special purpose vehicle ("SPV") formed for listing purposes and controlled by PRC companies or individuals, to obtain CSRC's approval prior to the listing and trading of the SPV's securities on an overseas stock exchange. On September 21, 2006, the CSRC published procedures specifying documents and materials to be submitted by SPVs seeking CSRC's approval of overseas listings.

Our PRC legal advisors, Jingtian & Gongcheng, advised that the listing of our Company on the Hong Kong Stock Exchange does not require CSRC approval as our Company is not an SPV as defined under the M&A Rules.

Pursuant to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the General Office of the State Council on February 3, 2011 and the Provisions on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM on August 25, 2011, acquisitions of domestic enterprises by foreign investors may subject to security review.

Given that (i) our business of sale of automobile and provision of after-sales services does not fall within the scope of the security review system specified in the aforementioned regulations and (ii) we have received a certificate of approval from the local counterpart of MOFCOM in Jiangsu province for the acquisitions in the Reorganization, our PRC legal advisors, Jingtian & Gongcheng, are of the opinion that (i) the Reorganization does not fall within the scope of security review system and (ii) the aforementioned regulations do not and will not have any material adverse effect on the Listing.

PROPERTY LAW

The properties we lease and own in the PRC are subject to the Property Law (物權法), promulgated by the Standing Committee of 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 property rights shall become effective upon registration with the relevant government authorities. The Property Law also contains specific provisions relating to land contractual operation rights, construction land use rights, residential land use rights, easement rights and various security rights.

The Administrative Measures on the Leasing of Commercial Buildings (商品房屋租賃管理辦法) ("Leasing Measures"), promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, which became effective on February 1, 2011, provide that, amongst others, illegal constructions may not be leased. Further, it provides that a lease must be filed with the local construction (real estate) administrative department. Although PRC courts have previously ruled that failure to file a lease with the relevant PRC government authorities does not in itself invalidate the lease, fines may be imposed by the local construction (real estate) administrative department for such violation, under the Leasing Measures.

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

According to the Provisional Regulations on Urban State-owned Land Grant and Transfer (城鎮國有土地使用權出讓和轉讓暫行條例), lease of allocated land shall be approved by the land administrative department and real estate administrative department at the county level.

FOREIGN EXCHANGE CONTROL

The Foreign Exchange Administration Regulations (外匯管理條例) promulgated by the State Council on January 29, 1996 as amended on August 1, 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) promulgated by the People's Bank of China on June 20, 1996 which 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 to remit such foreign exchange from their bank accounts in the PRC. Foreign-invested enterprises may also effect payments for current account items without SAFE 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.

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 on January 5, 2007 which became effective on February 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 SAFE or a local SAFE department.

The SAFE Circular requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update such registration within 30 days of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or spin-offs. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

The SAFE Circular applies to each of Mr. Yang Aihua, Mr. Yang Hansong, Mr. Yang Zehua and any other individual who is a resident in the PRC and is an indirect shareholder of Suzhou Baoxin through foreign holding companies. Each of them has already registered with the SAFE Suzhou Branch as required under the SAFE Circular as of the Latest Practicable Date. Subsequent to the completion of the Global Offering, such shareholders will be required to update their registration with SAFE.

FOREIGN EXCHANGE RATE

On July 21, 2005, 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 0.5% around the central parity published by PBOC since May 21, 2007, while the trading prices of non-U.S. dollar currencies against the Renminbi have been allowed to float within a band of 3.0% around the central parity published by PBOC since September 23, 2005.

SHAREHOLDER LOANS

Under existing PRC laws, rules and regulations, a foreign-invested enterprise may seek shareholder loans from offshore investors. In such event, a foreign-invested enterprise must apply to SAFE or local SAFE departments for foreign loan registration certificates and foreign exchange settlements. The aggregate amount of such foreign loans must not exceed the margin between the total investment and registered capital of such foreign-invested enterprises and must be registered with the local SAFE bureau. The recipient of a foreign loan must submit the foreign loan registration certificate to open and maintain a special foreign exchange account with a SAFE-approved bank, and may then repay the foreign loan with its own foreign exchange funds or by purchasing foreign exchange with Renminbi upon receiving SAFE approval.

DIVIDEND DISTRIBUTIONS

Under the Law on Wholly Foreign-Owned Enterprises (外資企業法), promulgated by the National People's Congress on April 12, 1986 which became effective on April 12, 1986 and as amended on October 31, 2001, and the Law on Sino-foreign Equity Joint Ventures (中外合資經營企業法) promulgated by the Standing Committee of the National People's Congress on July 8, 1979 which became effective on July 8, 1979 and as amended on April 4, 1990 and March 15, 2001, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to employees' funds as specified under PRC laws, rules and regulations, and have set off financial losses during previous accounting years. Undistributed profits from previous accounting years may be distributed together with profits available for distribution during the current accounting year. Foreign-invested enterprises may remit after-tax profits as dividends to overseas equity holders without seeking SAFE approval.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law (環境保護法) promulgated on December 26, 1989 by the Standing Committee of the National People's Congress which 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 in turn responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法) promulgated on April 29, 2000 by the Standing Committee of the National People's Congress which became effective on 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 each of their respective jurisdictions 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) promulgated on May 11, 1984 by the Standing Committee of the National People's Congress which became effective on November 1, 1984 and amended on March 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 each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法) promulgated by the Standing Committee of the National People's Congress on October 28, 2002 which 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) promulgated by the State Council on November 29, 1998 which 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) promulgated by the State Environmental Protection Administration of China on December 27, 2001 which became effective on February 1, 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

AUTOMOBILE RECALLS

The Regulations on Recall of Defective Automotive Products (缺陷汽車產品召回管理規定) ("Recall Regulations") promulgated by the State Administration of Quality Supervision, Inspection and Quarantine, NDRC, MOFCOM, and the General Administration of Customs on March 12, 2004 which became effective on October 1, 2004, 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 the conduct of automobile recall activities and with the PRC government authorities in any investigations thereto.

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 (i) 10 years from the date on which the automobile is delivered to its first owner, and (ii) the usage period specified by the manufacturer for the automobile. The foregoing does not apply certain automobile parts and components. For example, the Recall Regulations provide that the statutory warranty period for automobile tyres shall be three years from the first date of delivery and that the statutory warranty period for non-durable components and parts shall be the relevant usage period specified by the automobile manufacturers. Our PRC legal advisors, Jingtian & Gongcheng, has advised that we, as an automobile dealership, are not liable for any costs associated with automobile recalls under PRC laws and regulations.

PRODUCT QUALITY

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

Pursuant to the Product Quality Law, a seller shall, among other things, adopt measures to keep products for sale in good quality and comply with regulations regarding the labeling of products, and shall 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.

CONSUMER PROTECTION

The Consumer Protection Law (消費者權益保護法) promulgated on October 31, 1993 by the Standing Committee of the National People's Congress which became effective on January 1, 1994, prescribes standards of behavior 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 35 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 45 of the Consumer Protection Law provides that businesses must be responsible for the repair, replacement or return of goods if such warranties are required by PRC laws or provided under the agreements between the businesses and consumers, and further, that businesses must bear the reasonable cost of transportation for large commodities in the event of repair, replacement or return. Article 45 also stipulates that should a product not work properly after being repaired twice within the term of guaranteed repair, the business shall be responsible for replacement or return. As of the Latest Practicable Date, our PRC legal advisors have advised that no specific regulations for the automobile industry have been promulgated pursuant to Article 45.

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 Anti-Unfair Competition Law (反不正當競爭法) promulgated by the Standing Committee of the National People's Congress on September 2, 1993 which 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, establishing cartels, and dumping goods below cost.

The Anti-Monopoly Law (反壟斷法), promulgated by the Standing Committee of the National People's Congress on August 30, 2007 which became effective on August 1, 2008, requires proposals for foreign acquisitions and investment in domestic companies to undergo national security reviews, protects core Chinese industries, and grants PRC government authorities substantial discretion in making determinations as to monopolistic agreements, abuses of dominant positions, concentrations of power and abuses of administrative powers to eliminate or restrict competition.

Violation of the Anti-unfair Competition Law or the Anti-Monopoly Law may result in the imposition of fines, revocation of business licenses and criminal liability.

INTELLECTUAL PROPERTY RIGHTS

International Conventions

China is a party to several international conventions on intellectual property rights, including the Agreement on Trade-Related Aspects of Intellectual Property Rights, upon its accession to the World Trade Organization in December 2001. China is also a party to the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the World Intellectual Property Organization Copyright Treaty, the Madrid Agreement concerning the International Registration of Marks, and the Patent Cooperation Treaty.

Trademarks

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

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling commodities that infringe upon the right to exclusive use of a registered trademark;
- 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 shall supervise the quality of the commodities on which the trademark is used, and the licensee shall 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) promulgated by SAIC on April 17, 2003 which became effective on June 1, 2003, protects well-known trademarks, which are recognized on a case-by-case basis by the Trademark Review and Adjudication Board of SAIC, the Trademark Office, or the PRC courts.

Copyrights

The Copyright Law (著作權法) was promulgated by the National People's Congress on September 7, 1990 and amended on October 27, 2001 and on February 26, 2010. The Implementation Rules of the Copyright Law was promulgated by the State Council on August 2, 2002 and became effective on September 15, 2002. Under the Copyright Law, copyright is automatically granted upon completion of a work and registration is voluntary. The period of copyright protection for an individual author is the lifetime of the author plus 50 years, or 50 years from the date of first publication if the author is a legal entity or organization. No protection is granted if a copyrightable work of a legal entity or organization is not published within 50 years of its completion.

The Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated on December 20, 2001 by the State Council which became effective on January 1, 2002, provides that computer software, including computer programs and related documentation, is a type of copyrightable work subject to protection under the Copyright Law.

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. The Domain Name Measures regulate registrations of domain names with the Internet country code ".cn" and domain names in Chinese.

The Measures on Domain Name Dispute Resolution (2006 Edition) (中國互聯網信息中心域名爭議解決辦法 (2006年修訂)) (the "Domain Name Dispute Resolution Measures") were promulgated by the Chinese Internet Network Infrastructure Center on February 14, 2006 and became effective on March 17, 2006. 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 Labor Contract Law (勞動合同法) promulgated by the Standing Committee of the National People's Congress on June 29, 2007 which became effective on January 1, 2008, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labor Contract Law stipulates that employee contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labor Contract Law, employment contracts lawfully concluded prior to the implementation of the Labor Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labor Contract Law but no written employment contract was concluded, a contract must be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, rules and regulations, including the Interim Regulations on the Collection and Payment of Social Security Funds, promulgated by the State Council on January 22, 1999 which became effective on January 22, 1999 (社會保險費徵繳暫行條例), and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council on April 3, 1999 which became effective on April 3, 1999 and 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 leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to correct the deficit within a stipulated time limit.

HISTORY AND DEVELOPMENT

Our Corporate History

During the 1980s, our founder Mr. Yang Aihua began his career in the sales of both imported and domestically manufactured automobiles. Having spent more than 10 years in the automobile sales business, Mr. Yang Aihua first engaged in operating an automobile dealership store when he opened one of the first authorized Audi dealership stores in China in 1999.

In 2004, our Group became one of the first authorized dealerships of BMW Brilliance in China. Since then, the Group has focused increasingly on the luxury and ultra-luxury automobile markets. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. As at June 30, 2011, we have expanded our automobile dealership business to six regions in China, namely Shanghai, Jiangsu, Zhejiang, Shandong, Tianjin and Liaoning.

As of September 30, 2011, we operated 28 4S dealership stores.

Our Business Milestones

The following are important milestones in our history to date:

1999	We opened our first dealership store in Shanghai and became one of the first authorized dealerships for Audi in China.
2004	We became one of the first authorized dealerships for BMW Brilliance in China.
	Our Group expanded to cities outside of Shanghai.
2005	We opened our first 4S dealership store in Jiangsu.
2008–2010	One of our Buick dealership stores was accredited as a five-star authorized service center for sales by Shanghai GM.
2009	We opened our first 4S dealership stores in Zhejiang and Shandong.
2010	Three of our dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW dealership stores nationwide that won its 2010 Best Dealership Quality Awards.
	Two of our dealership stores ranked 1st and 3rd, respectively, in BMW's list of its 10 best dealership stores for after-sales business.
	We opened our first 4S dealership stores in Tianjin and Liaoning.
	We opened our first BMW authorized repair center in Shanghai.
2011	We opened our first Land Rover & Jaguar dealership store.

Mr. Yang and his nominees have acquired 45% of the equity interests in Shanghai Kailong Qimao from Hu Yongtang (胡永堂), who is an Independent Third Party, in March 2001, the entire equity interests in Shanghai Taipingyang Jinsha from Li Zhenxin (酈振新) and Yang Fafa (楊發發), who are Independent Third Parties, in August 2002, and 20% of the equity interests in Suzhou Baoxin from Zhang Rongquan (張榮泉), who is an Independent Third Party, in December 2004, pursuant to which the above three companies then became wholly-owned by Mr. Yang Aihua directly or indirectly through his nominees. All the above equity interests were carried out on normal commercial terms, with the purchase considerations determined based on the registered capital of each subsidiary. Save as otherwise disclosed in this paragraph, the Group's subsidiaries have been directly or indirectly owned by Mr. Yang Aihua or through his nominees since their incorporation.

Mr. Yang Aihua's source of funding for the above acquisitions was generated from his business savings.

In May 2003, Mr. Yang Aihua subsequently disposed 10% equity interests in Shanghai Taipingyang Jinsha to Ms. Xu Runfang (徐潤芳), an Independent Third Party, on normal commercial terms with the consideration determined based on the registered capital of Shanghai Taipingyang Jinsha. In November 2009, Shanghai Kailong Qimao transferred 15% of equity interests in Shanghai Kailong Toyota to Shuangri Entities for a total consideration of RMB51.675 million. The consideration was determined with reference to the then net asset value of Shanghai Kailong Toyota evaluated by an independent valuer. In October 2008, Shanghai Baoxin disposed 10% equity interests in Hangzhou Baoxin to Mr. Wang Yang (王陽), an Independent Third Party, on normal commercial terms, with the consideration determined based on the registered capital of Hangzhou Baoxin.

REORGANIZATION

In preparation for the Global Offering, we commenced the Reorganization in August 2010. As advised by our PRC legal advisors, Jingtian & Gongcheng, the Reorganization was conducted in compliance with all applicable PRC laws and regulations and all necessary approvals from PRC regulatory authorities, including the necessary foreign exchange registration, have been obtained.

Domestic Reorganization

As of August 1, 2010, our subsidiaries were directly or indirectly controlled by Mr. Yang Aihua or through his nominees, namely Mr. Yang Hansong and Mr. Yang Zehua. In preparation for the Global Offering, our Group undertook the steps for the domestic reorganization as detailed below.

1. Establishment of the onshore holding structure

On August 25, 2010, Shanghai Kailong Qimao, as vendor, Kailong PRC and Shangchen PRC, as purchasers, entered into an equity transfer agreement pursuant to which Shanghai Kailong Qimao agreed to transfer 85% and 15% of the equity interests in Shanghai Baoxin to each of Kailong PRC and Shangchen PRC for a consideration of RMB8.5 million and RMB1.5 million, respectively. Each of the above consideration was determined with reference to the amount of registered capital of Shanghai Baoxin. Kailong PRC was owned as to 80% by Mr. Yang Aihua and 20% by Mr. Yang Aihua's nominees, namely Mr. Yang Zehua and Mr. Yang Hansong, in equal shares. Shangchen PRC was 51% owned by Mr. Yang Aihua and 49% was held by Mr. Yang Zehua as Mr. Yang Aihua's nominee, and is therefore related to Kailong PRC.

In November 2010, each of Bentai PRC, Hengjun PRC and Chiheng PRC made a capital contribution of RMB11.8 million, RMB8.8 million and RMB3.0 million respectively in Shanghai Baoxin. Each of the above subscription amounts was determined based on net asset value of Shanghai Baoxin at the time of the subscription. In connection with such subscription, on November 12, 2010, pursuant to a shareholders' resolution of Shanghai Baoxin, the registered capital of Shanghai Baoxin was increased from RMB10 million to RMB10.85 million and out of the RMB0.85 million increase Bentai PRC, Hengjun PRC and Chiheng PRC contributed approximately RMB0.42 million, RMB0.32 million and RMB0.11 million in equity interests, respectively. As a result, Shanghai Baoxin was then owned as to 78.34% by Kailong PRC, 13.82% by Shangchen PRC, 3.92% by Bentai PRC, 2.94% by Hengjun PRC and 0.98% by Chiheng PRC. The beneficial owners of each of Bentai PRC, Hengjun PRC and Chiheng PRC were the same as those of Full Establish, Goffee and Moral Grand, respectively.

To consolidate Mr. Yang Aihua's interests in our Group, Shanghai Baoxin acquired the following equity interests in our subsidiaries previously owned by Mr. Yang Aihua and his brothers (as his nominees), namely Mr. Yang Hansong and Mr. Yang Zehua. The consideration for each of the transfers was determined with reference to the registered capital of the relevant subsidiary. Although Mr. Yang Aihua and his nominees agreed that Mr. Yang Aihua was the sole beneficial owner of the Group's interests having the right to exercise all shareholder rights and powers attaching to his equity interests, a nominee arrangement was implemented in each of the subsidiaries listed below given (i) a requirement under PRC Company Law effective before 2006 which required a PRC incorporated company to have two shareholders and (ii) the fact that the management of these subsidiaries were vested in Mr. Yang Aihua and Mr. Yang Hansong or Mr. Yang Zehua.

Name of our Subsidiary	Date of Acquisition Agreement	Vendor	Equity Interest (%)	Consideration (RMB million)
Suzhou Baoxin	November 22, 2010	Mr. Yang Aihua	20%	2
		Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	80%	8
Shanghai Taipingyang Shenlong	November 15, 2010	Mr. Yang Aihua	30%	1.5
Tianjin Baoxin	November 14, 2010	Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	40%	4
Qingdao Xinbaohang	November 15, 2010	Mr. Yang Aihua	60%	6
		Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	40%	4
Ningbo Baoxin	November 16, 2010	Mr. Yang Aihua	60%	6
		Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	40%	4
Shanghai Xuhui Baoxin	November 15, 2010	Mr. Yang Aihua	70%	7
		Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	20%	2

Name of our Subsidiary	Date of Acquisition Agreement	Vendor	Equity Interest (%)	Consideration (RMB million)
Shanghai Taipingyang Jinsha	November 15, 2010	Mr. Yang Aihua	70%	7
		Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	20%	2
Shanghai Kailong Zhuanghuang	November 15, 2010	Mr. Yang Aihua	50%	0.25
		Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	50%	0.25
Shanghai Kailong Qimao	September 10, 2010	Mr. Yang Aihua	90%	78.3
		Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	10%	8.7
Hangzhou Baoxin	November 15, 2010	Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	40%	4
Yangzhou Xinbaohang	November 18, 2010	Mr. Yang Aihua	70%	7
Ninghai Baoxin	November 18, 2010	Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	30%	3
		Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	70%	7
Taizhou Xinbaohang	November 15, 2010	Mr. Yang Hansong (as nominee for Mr. Yang Aihua)	30%	3
		Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	70%	7
Shanghai Tianhua	November 15, 2010	Mr. Yang Zehua (as nominee for Mr. Yang Aihua)	10%	1

On November 29, 2010, pursuant to a shareholders' resolution of Shanghai Baoxin, the registered capital of Shanghai Baoxin was increased from RMB10.85 million to RMB190.8 million, out of which RMB7.1 million, RMB5.2 million and RMB1.7 million were contributed from Bentai PRC, Hengjun PRC and Chiheng PRC, respectively. Such capital contribution made by each of Bentai PRC, Hengjun PRC and Chiheng PRC was determined based on the registered share capital of Shanghai Baoxin. As a result, Shanghai Baoxin was owned as to 3.93% by Bentai PRC, 2.88% Hengjun PRC and 0.94% by Chiheng PRC.

Bentai PRC, Hengjun PRC and Chiheng PRC were controlled by individuals who were business acquaintances of the Group. They are independent of the Group and the other shareholders of the Company. Each of them was a financial investor of Shanghai Baoxin and is independent of each other. None of them is a connected person of the Company within the meaning of the Listing Rules.

Shenyang Xinbaohang was legally owned as to 60% by Shanghai Baoxin and 40% by Mr. Yang Hansong when it was incorporated in July 2008. However, it has always been the understanding among the relevant parties that Mr. Liu Yan (劉岩), the local partner of Mr. Yang Aihua of Shenyang Xinbaohang, was the beneficial owner of 50% of the equity interests in Shenyang Xinbaohang. It is also the understanding that Shanghai Baoxin and Mr. Yang Hansong would hold Mr. Liu Yan's equity interests as nominees and pay his share of registered capital until Mr. Liu Yan would make the relevant capital investment. On December 21, 2010, Mr. Yang Hansong and Shanghai Baoxin entered into an equity transfer agreement with Mr. Liu Yan pursuant to which Mr. Yang Hansong transferred an 40%, and Shanghai Baoxin transferred a 10% of equity interests, in Shenyang Xinbaohang to Mr. Liu Yan for RMB4 million and RMB1 million, respectively. The amount for each of the transfers was determined with reference to the amount of registered capital of Shenyang Xinbaohang. Jingtian & Gongcheng, our PRC legal advisors, are of the view that this nominee arrangement is legal and valid under PRC laws and regulations and there is no legal impediment for Mr. Yang Aihua and/or Mr. Liu Yan to hold their interests in the respective companies above.

All the above transfers have been completed as at the date of this prospectus.

2. Domestic Pre-IPO Investors

On August 4, 2010, Shanghai Baoxin, amongst others, entered into an investment agreement (supplemented by a supplemental agreement dated December 2, 2010) with Huakong Innovation and Huakong Industry pursuant to which Huakong Innovation and Huakong Industry agreed to subscribe for an aggregate of 11.11% of the enlarged equity interests in Shanghai Baoxin for a consideration of RMB500 million. Such consideration was determined with reference to the prospective growth rate and scale of the underlying business of our Group and the valuation of comparable companies (having regard to the scale of business and the industry of the Group) at the time of negotiation.

Each of Huakong Innovation and Huakong Industry is a limited partnership registered in the PRC focused on private equity investments. Their general partners are 北京華控匯金管理諮詢事務所 (Beijing Huakong Huijin Management Consulting) and 北京華控匯金投資顧問有限公司 (Beijing Huakong Huijin Investment Consulting Co., Ltd.), respectively, both of which are managed by the same team of managers. Huakong Innovation and Huakong Industry are leading private equity firms in China, focusing investment opportunities in various industries including consumer retail sector. As financial investors, they have provided capital support for companies engaging in several industries such as auto dealership, commercial real estate and telecommunications, media and technology. Since management and the ultimate investors of Huakong Innovation and Huakong Industry are identical to Innovation Capital and Tsinghua Fund I, Tsinghua Fund II respectively, please refer to the section headed "—Overseas Reorganization—Overseas Pre-IPO Investors" below for a detailed description of our overseas Pre-IPO Investors.

Upon completion of the above subscriptions, Shanghai Baoxin was owned as to 69.88% by Kailong PRC, 12.11% by Shangchen PRC, 2.56% by Hengjun PRC, 0.84% by Chiheng PRC, 3.5% by Bentai PRC, 6.67% by Huakong Innovation and 4.44% by Huakong Industry.

Overseas Reorganization

Our Group's overseas Reorganization involved the establishment of a new shareholding structure pursuant to which our Controlling Shareholders restructured their equity interests in our Group through the establishment of intermediary holding companies incorporated outside of the PRC.

The following transactions involved principally changes in our Company's shareholding structure:

1. Establishment of the offshore holding structure and the Family Trust

Our Company was incorporated in the Cayman Islands on September 6, 2010 and was owned by Baoxin Investment, a BVI company then owned by Ms. Yang. Our directly wholly-owned subsidiaries, Xiangsong and Kailong HK, were incorporated in the BVI and in Hong Kong on April 4, 2011 and September 21, 2010, respectively. On April 18, 2011, our Company transferred its entire interests in Kailong HK to Xiangsong and as a result Kailong HK became a wholly-owned subsidiary of Xiangsong.

On May 23, 2011, Ms. Yang, as the settlor, established the Family Trust and her entire interests in Baoxin Investment was transferred to the trustee of the Family Trust for the benefit of the Family Trust Beneficiaries, which comprise of Mr. Yang Aihua, Mr. Yang Zehua and Mr. Yang Hansong, together with their respective children and further issue. As of the Latest Practicable Date, Credit Suisse Trust Limited acts as the trustee and has the powers customary granted to a trustee, including:

(i) applying all or any part of the trust fund and the income thereof to and for the maintenance, education, advancement or otherwise for the benefit of any of the beneficiaries;

(ii) paying or transferring of the trust fund and the income thereof to the trustees of any other trust for the benefit of the beneficiaries; and

(iii) holding the trust fund and the income for the benefit of the beneficiaries.

Ms. Yang has completed her Bachelors degree in the University of Toronto in June 2011. She has no management role in the Group. Apart from her interests in the Group, she does not have any interests in other businesses.

The proper law of the Family Trust is the law of the Island of Guernsey and the provisions of the Family Trust are subject to, and enforceable under, the laws of the Island of Guernsey. Under the Family Trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, Mr. Yang Aihua, and such discretions includes: (i) determining the date of termination of the Family Trust; (ii) changing the proper law of the Family Trust; (iii) appointment of income to beneficiaries; (iv) appointment of capital and income to beneficiaries on termination of the Family Trust; (v) general powers of appointment and advancement; (vi) exclusion of beneficiaries; (vii) addition of beneficiaries; and (viii) variation of the trust powers and provisions of the Family Trust.

In addition, for so long as there is a protector in office, the trustees shall not have any investment or asset management powers, including powers to interfere in the management of the business of Baoxin Investment and the voting rights attached to the shares of Baoxin Investment. The investment and asset management powers are vested solely in the protector. The protector also has the power to appoint or remove trustees. The settlor has no reserved power under the Family Trust.

2. Other investors in our Company

To prepare for the acquisition of Shanghai Baoxin, Baoxin Investment, through a series of transfers, transferred approximately 6,938.1, 9,281.9 and 24,330 Shares at a nominal consideration to each of Tsinghua Fund I, Tsinghua Fund II and Innovation Capital, respectively, which represented approximately 1.38%, 1.86% and 4.87% of the total issued share capital of our Company at the date of each transfer. On July 12, 2011, each of Baoxin Investment, Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, Auspicious Splendid, Full Establish, Goffee and Moral Grand respectively subscribed for approximately 269,350, 6,938.1, 9,281.9, 24,330, 121,100, 35,000, 25,600 and 8,400 Shares in the Company at par value. Upon completion of such subscriptions, our Company was held as to approximately 72.88%, 1.38%, 1.86%, 4.87%, 12.11%, 3.5%, 2.56% and 0.84% by Baoxin Investment, Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, Auspicious Splendid, Full Establish, Goffee and Moral Grand, respectively.

The effective cost per share paid by each of Full Establish, Goffee and Moral Grand was RMB0.24, RMB0.25 and RMB0.25 respectively, which represents an aggregate discount of approximately 96.54%, 96.39% and 96.39%, respectively to the low end of the stated Offer Price of HK$8.50, an aggregate discount of approximately 96.95%, 96.82% and 96.82%, respectively to the mid-point of the stated Offer Price range of HK$9.65 and an aggregate discount of approximately 97.28%, 97.16% and 97.16%, respectively to the high end of the stated Offer Price range of HK$10.80.

Among the above Shareholders, the ultimate investors and managers of Huakong Innovation and Huakong Industry are identical to those of Tsinghua Fund I, Tsinghua Fund II and Innovation Capital.

Auspicious Splendid is legally wholly-owned by Ms. Yang on trust for the Yang Trust Beneficiaries, pursuant to the trust deed in respect of the Yang Trust dated July 12, 2011 and as supplemented by a deed dated August 11, 2011. The proper law of the Yang Trust is the laws of the BVI. Under the Yang Trust, Ms. Yang has powers customarily granted to a trustee, such as the power to receive additional property and to hold the capital and income of the trust fund on trust for the beneficiaries in such shares as the protector, Mr. Yang Aihua directs.

The protector also has the power to (i) add or remove beneficiaries; (ii) exclude any person to be a beneficiary; and (iii) remove a trustee and appoint a successor trustee.

For so long as there is a protector in office, the trustee shall not have any investment or asset management powers, including powers to interfere in the management of the business of Auspicious Splendid and the voting rights attached to the shares of Auspicious Splendid. The investment and asset management powers are vested solely in the protector. Ms. Yang, as the settlor, has no reserved power under the Yang Trust.

Full Establish, Goffee and Moral Grand were controlled by the beneficial owners of Bentai PRC, Hengjun PRC and Chiheng PRC, respectively, all of which are independent of each other and Independent Third Parties of our Group.

3. Overseas Pre-IPO Investors

Pursuant to a shareholders' agreement between Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, the Company and others dated July 8, 2011, Tsinghua Fund I, Tsinghua Fund II and Innovation Capital were granted certain rights customary to financial investors set out below. The shareholders' agreement contains similar rights as that of the investment agreement (as supplemented) dated August 4, 2010 between Shanghai Baoxin and others. All these rights will be terminated upon the Listing Date, including the following:

- Right to appoint a director: Tsinghua Fund I, Tsinghua Fund II and Innovation Capital (the "Tsinghua Investors") together have a right to appoint a non-executive Director.

- Information rights: Tsinghua Investors are entitled to receive information of our Group upon reasonable request and shall have the right to contact the respective clients and creditors of our Group directly for the purpose of inspection of the affairs of our Group.

- Anti-dilution right: If our Company issues new Shares or grants any rights to any Shareholders that are more favorable than those enjoyed by Tsinghua Investors, same rights shall be granted to Tsinghua Investors.

- Transfer Restrictions: Except with the prior written consent of the Director appointed by Tsinghua Investors, Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua shall not exercise any voting right or otherwise allow any existing Shareholders to directly or indirectly transfer, or create any encumbrance over, any Shares of our Company, provided that the existing Shareholders are entitled to transfer such Shares not exceeding 5% of the total issued shares of our Company to any non-financial investors so long as the proposed transfer would not result in any adverse effect on the Listing.

- Right of first refusal: If any of Mr. Yang Aihua, Mr. Yang Hansong or Mr. Yang Zehua proposes to transfer any of the Shares held by it to a third party purchaser, Tsinghua Investors shall have a right of first refusal to purchase such shares.

- Tag-along right: If any of Mr. Yang Aihua, Mr. Yang Hansong or Mr. Yang Zehua proposes to make a transfer of the Shares to a third party, Tsinghua Investors shall have a right to require the proposed transferee to purchase a pro rata portion of the Shares held by Tsinghua Investors.

- Non-competition: Each of Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua agrees that he shall not (without the written consent of Tsinghua Investors), directly or indirectly, in any way, be engaged or interested in or otherwise carry on any business in competition with the businesses carried on by our Group in the PRC and engage in any acts that might cause harm to the interest of our Group.

Details of the investment of Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, Huakong Innovation and Huakong Industry are summarized as follows:

Name of pre-IPO investor(s)	:	Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, Huakong Innovation and Huakong Industry
Date of investment agreement	:	August 4, 2010
Amount of consideration paid	:	RMB500 million
Date of payment of consideration and completion	:	December 15, 2010
Use of proceeds	:	For expansion of our Group's 4S dealership network
Cost per Share paid by pre-IPO investor	:	RMB2.05
Discount to the Offer Price (not taking into account the 3% equity interest in Shanghai Baoxin which is subject to a conditional purchase agreement, details of which please refer to "Onshore Acquisition" below):		
• assuming low end of stated Offer Price range of HK$8.50	:	70.43%
• assuming mid-point of stated Offer Price range of HK$9.65	:	73.95%
• assuming high end of stated Offer Price range of HK$10.80	:	76.73%
Shareholding in the Company immediately following the Global Offering (assuming Over-allotment Option is not exercised)	:	7.05% in our Company and 3% in Shanghai Baoxin (Pursuant to the Equity Transfer Agreement (as defined below), Suzhou Baoxin will acquire such 3% of the equity interest in Shanghai Baoxin from Huakong Innovation and Huakong Industry after completion of the Listing.)

Each of Tsinghua Fund I, Tsinghua Fund II and Innovation Capital is an Exempted Limited Partnership registered in the Cayman Islands focused on private equity investments. Their general partner is TH Capital, a limited liability company organized and existing under the laws of the Cayman Islands. Each of Tsinghua Fund I, Tsinghua Fund II, Innovation Capital is managed by TH Management

Company, a limited liability company incorporated in Cayman Islands. Their beneficial owners include various companies, a foundation and individuals, all of which will be Independent Third Parties upon Listing.

Onshore Reorganization

On March 11, 2011, Suzhou Baoxin entered into an equity transfer agreement with each of Mr. Yang Aihua and Mr. Yang Hansong, pursuant to which Mr. Yang Aihua and Mr. Yang Hansong transferred 80% and 20% of the equity interests in Suzhou Xinbaohang to Suzhou Baoxin, respectively, for a total consideration of RMB10 million. The consideration was determined with reference to the registered capital of Suzhou Xinbaohang. Upon completion of such transfer, Suzhou Xinbaohang became a wholly-owned subsidiary of Suzhou Baoxin.

Suzhou Xinbaohang entered into an equity transfer agreement on May 29, 2011 with Shanghai Hanchuan, a company wholly-owned by Mr. Yang Aihua and his nominee, Mr. Yang Hansong, pursuant to which Suzhou Xinbaohang acquired the entire equity interest in Jiaxing Tianhua for a consideration of RMB10 million. Suzhou Xinbaohang entered into another two equity transfer agreements with the same entity on June 10, 2011 to acquire the entire equity interests in Wuxi Tianhua and Ningbo Tianhua, respectively, for an aggregate consideration of RMB30 million. The considerations were determined with reference to the registered capital of each of the relevant target companies.

On February 22, 2011, Shanghai Baoxin entered into an equity transfer agreement with Kailong HK pursuant to which the entire equity interests in Suzhou Baoxin was transferred to Kailong HK for a consideration of RMB14,280,000, as a result of which Suzhou Baoxin became a wholly-owned subsidiary of Kailong HK. The consideration was determined with reference to the total amount of investment of Suzhou Baoxin and was funded by bank borrowings obtained by Ms. Yang. As advised by our PRC legal counsel, Jingtian & Gongcheng, the acquisition by Kailong HK of the entire equity interests in Suzhou Baoxin complies with the PRC legal requirements and, in particular, this transaction did not contravene the M&A Rules. In particular, article 11 of the M&A Rules provides that approval of MOFCOM is required where a domestic company or natural person intends to takeover its domestic affiliated company which it establishes or controls. Our PRC legal counsel, Jingtian & Gongcheng has confirmed the acquisition does not constitute an acquisition under Article 11 of the M&A Rules given that (i) Ms. Yang, the then ultimate shareholder of Kailong HK, is not a "domestic natural person" under the M&A Rules; and (ii) Suzhou Baoxin is not deemed as an affiliated company as Kailong HK given the shareholding of these two companies were different as the time of the acquisition. Before entering into the equity transfer agreement, the 江蘇省商務廳 (Jiangsu Ministry of Commerce) ("Jiangsu MOFCOM") has been consulted. Having been disclosed all relevant facts relating to the equity transfer agreement, including the father-daughter relationship between Mr. Yang Aihua and Ms. Yang, the Jiangsu MOFCOM has not raised any objection to the transfer and issued a 外商投資企業批准證書 (foreign investment approval) on April 1, 2011, to Suzhou Baoxin, which approved of the equity transfer, and subsequently local SAIC granted a renewed business licence on May 20, 2011.

On June 28, 2011, Suzhou Baoxin entered into an equity transfer agreement with each of the shareholders of Shanghai Baoxin, pursuant to which Kailong PRC, Shangchen PRC, Huakong Innovation, Huakong Industry, Bentai PRC, Hengjun PRC and Chiheng PRC transferred 69.88%, 12.11%, 4.866%, 3.244%, 3.5%, 2.56% and 0.84% of the equity interests in Shanghai Baoxin to Suzhou Baoxin, respectively, for a total consideration of RMB208,210,500 as part of the reorganisation of the

Group. The consideration was determined with reference to the registered capital of Shanghai Baoxin. Upon completion of such transfer, Shanghai Baoxin became 97% indirectly owned by our Company, with the remaining 3% owned by Huakong Innovation and Huakong Industry.

On August 15, 2011, Shanghai Kailong Qimao entered into an equity transfer agreement with Shanghai Kailong Qixiao, pursuant to which Shanghai Kailong Qimao acquired the entire equity interest in Minhang Automobiles for a consideration of RMB10 million. The consideration was determined with reference to the registered capital of Minhang Automobiles. On the same day, Shanghai Kailong Qixiao further transferred all the operating assets and liabilities relating to the Nissan 4S store to Minhang Automobiles for a consideration of RMB41 million. The consideration was determined with reference to the book value of the operating assets and liabilities as at June 30, 2011. Shanghai Kailong Qixiao is an entity controlled by Mr. Yang Aihua and it has ceased its business of sales and service of motor vehicles pursuant to the above transactions.

Onshore Acquisition

As mentioned above, Shanghai Baoxin was 97% owned by Suzhou Baoxin and 3% by Huakong Innovation and Huakong Industry as a result of the equity transfer agreement dated June 28, 2011. On the same day, Suzhou Baoxin entered into another equity transfer agreement (the "3% Equity Transfer Agreement") with Huakong Innovation and Huakong Industry, pursuant to which Huakong Innovation and Huakong Industry agreed to sell and Suzhou Baoxin agreed to purchase 3% of the equity interests in Shanghai Baoxin for a consideration of RMB550 million provided that any one of the following three conditions is fulfilled: (i) the Global Offering has been completed; (ii) our Shareholders (apart from Tsinghua Fund I, Tsinghua Fund II and Innovation Capital) have disposed of an aggregate of 40% or more of their Shares in our Company; or (iii) Mr. Yang Aihua has ceased to be a Controlling Shareholder. Completion of the 3% Equity Transfer Agreement would effectively increase the Group's shareholding in Shanghai Baoxin such that it will be 100% owned by our Group. We plan to consummate this purchase within two weeks of the Listing Date. The consideration of RMB550 million is currently expected to be kept in an escrow account to be released pending compliance with SAFE and other regulatory procedures.

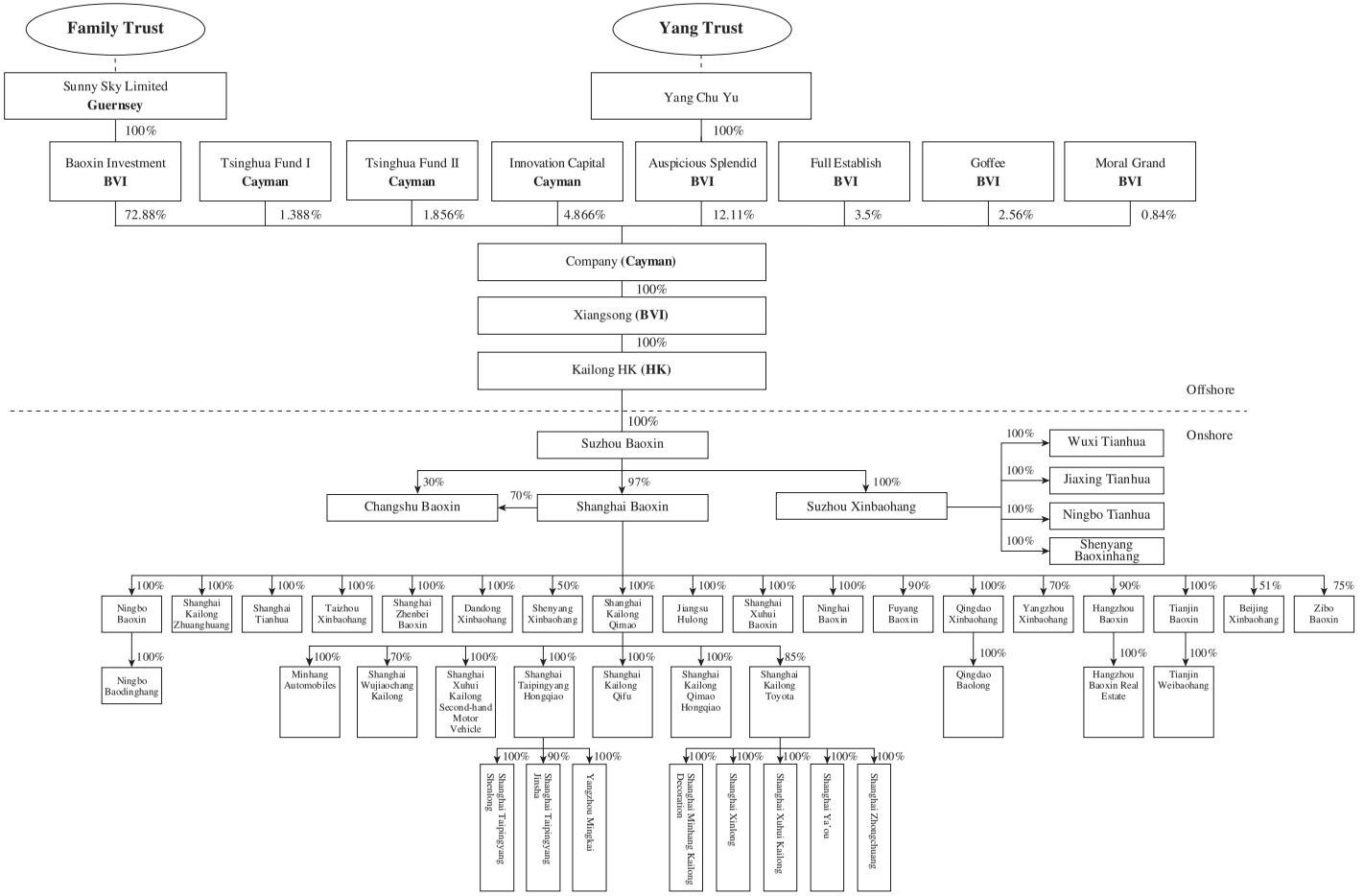
The consideration is determined with reference to valuation of other comparable companies and after taking into consideration of the then growth prospect of the underlying business. The per share price for the purchase of the 3% equity interests in Shanghai Baoxin represents a 307.4% increase of the per share price of the subscription in the shares of Shanghai Baoxin by Huakong Innovation and Huakong Industry in August 2010. Such appreciation is primarily due to the difference in (i) the prospective growth rate; (ii) the scale of the underlying business of our Group; and (iii) the valuations of comparable companies at the respective time of negotiating each transaction.

This arrangement was not entered into as a condition to the Pre-IPO Investors' investment in 2010. The buy back of the 3% equity interests by the Group has the effect of consolidating and streamlining the Group's interests in Shanghai Baoxin such that it would be wholly-owned by the Group at completion of the Global Offering. Given that the buy back arrangement was conducted on normal commercial terms and entered into on an arms' length basis, the Company is of the view that this arrangement is fair and reasonable and in the interests of the shareholders as a whole and that all shareholders of the Company are treated fairly and equally under Rule 2.03(4) of the Listing Rules.

SHAREHOLDING AND GROUP STRUCTURE

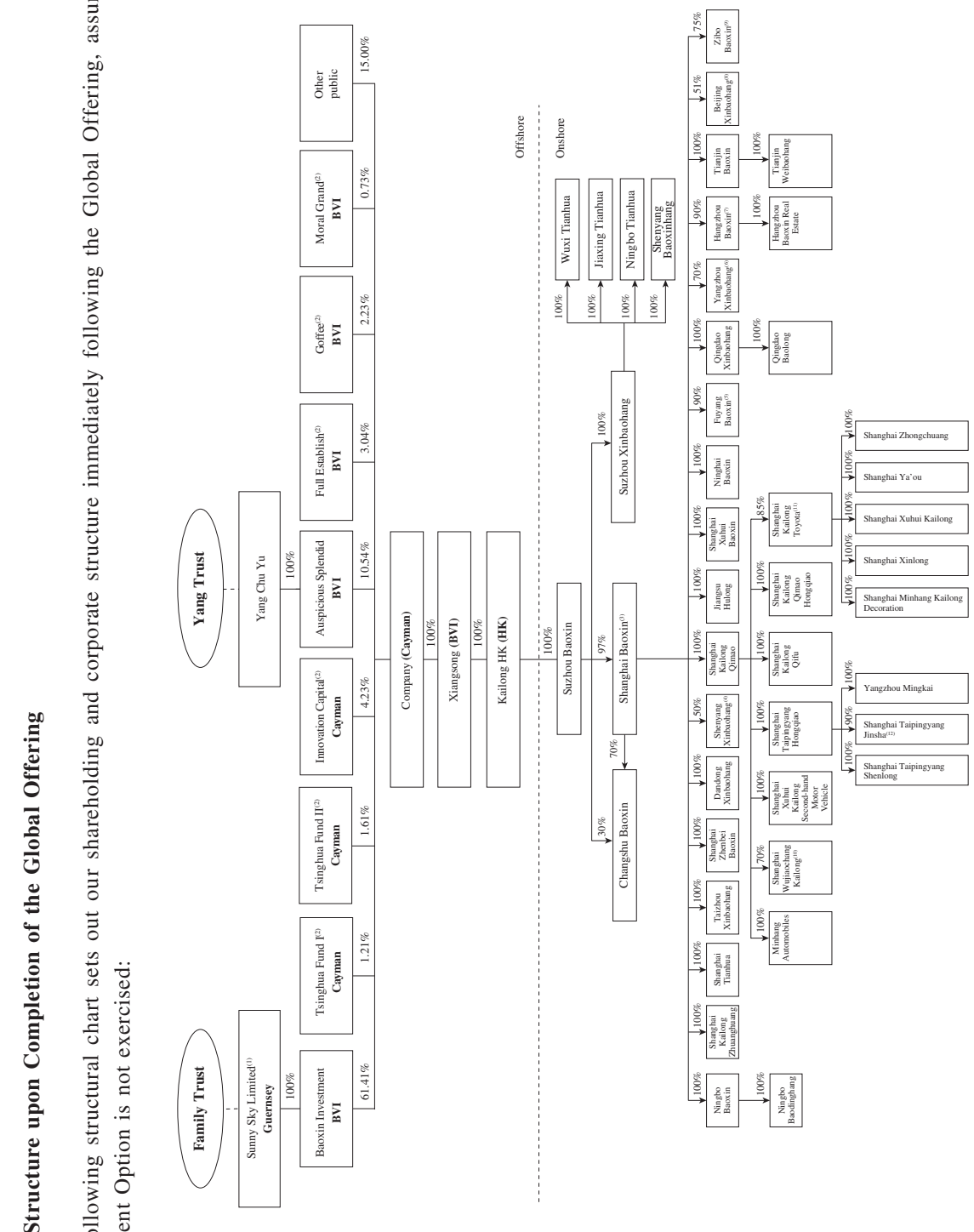
Corporate Structure Immediately Prior to the Global Offering

The following chart sets out our shareholding and corporate structure immediately prior to completion of the Global Offering:



Corporate Structure upon Completion of the Global Offering

The following structural chart sets out our shareholding and corporate structure immediately following the Global Offering, assuming that the Over-allotment Option is not exercised:



Notes:

(1) Sunny Sky Limited is controlled by Credit Suisse Trust Limited, the trustee of the Family Trust.

(2) Each of Tsinghua Fund I, Tsinghua Fund II, Innovation Capital, Full Establish, Goffee and Moral Grand is an Independent Third Party and the Shares held by each of them will be counted towards the public float upon Listing.

(3) Suzhou Baoxin has entered into the Equity Transfer Agreement pursuant to which 3% of the equity interests in Shanghai Baoxin will be transferred to Suzhou Baoxin after completion of the Listing.

(4) 50% of the equity interests in Shenyang Xinbaohang is owned by Mr. Liu Yan, who, apart from his equity interests herein, is an Independent Third Party.

(5) 10% of the equity interests in Fuyang Baoxin is owned by Mr. Wang Yang, who, apart from his equity interests in Fuyang Baoxin and Hangzhou Baoxin, is an Independent Third Party.

(6) 30% of the equity interests in Yangzhou Xinbaohang is owned by Mr. Bo Yutang, who, apart from his equity interests in Yangzhou Xinbaohang, is an Independent Third Party.

(7) 10% of the equity interests in Hangzhou Baoxin is owned by Mr. Wang Yang, who, apart from his equity interests in Hangzhou Baoxin and Fuyang Baoxin, is an Independent Third Party.

(8) 49% of the equity interests in Beijing Xinbaohang is owned by 力天集團有限公司 (Liten Group Co., Ltd.). In accordance with the memorandum and articles of association of Beijing Xinbaohang, Liten Group Co., Ltd. has the right to appoint two out of five directors and a right of first refusal upon the proposed sale of equity interests to any third party. Beijing Xinbaohang may not undertake certain actions including any merger or acquisition of another entity, change in share capital, winding up or amendment of the articles of association without the consent of the holders of at least two-thirds of its equity interests. Liten Group Co., Ltd. is an Independent Third Party apart from its equity interests in Beijing Xinbaohang.

(9) 25% of the equity interests in Zibo Baoxin is owned by Mr. Zhou Wenfang, who, apart from his equity interests in Zibo Baoxin, is an Independent Third Party.

(10) 21% of the equity interests in Shanghai Wujiaochang Kailong is owned by 上海五角場(集團)有限公司 (Shanghai Wujiaochang (Group) Co., Ltd.) and the other 9% equity interests is owned by Mr. Chen Zhenghui, an Independent Third Party. Shanghai Wujiaochang (Group) Co., Ltd., apart from its equity interests in Shanghai Wujiaochang Kailong, is an Independent Third Party.

(11) 15% of the equity interests in Shanghai Kailong Toyota is owned by the Shuangri Entities, which, apart from their equity interests in Shanghai Kailong Toyota, are Independent Third Parties. In accordance with the memorandum and articles of association of Shanghai Kailong Toyota the Shuangri Entities have the right to appoint one out of five directors, and, upon any increase in the registered capital thereof, have an anti-dilution right to maintain their pro rata share of equity interests therein. Shanghai Kailong Toyota may not, without the consent of all directors, undertake certain actions including any merger with or acquisition of another entity, change in share capital, transfer of shares, issuance of guarantees or distribution of profits.

(12) 10% of the equity interests in Shanghai Taipingyang Jinsha is owned by Ms. Xu Runfang, who, apart from her equity interests in Shanghai Taipingyang Jinsha, is an Independent Third Party.

OVERVIEW

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. We commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period. We have a well-established network comprising 28 4S dealership stores (including a jointly-controlled entity) as of September 30, 2011, 18 of which were luxury and ultra-luxury brand stores. As of the Latest Practicable Date, we received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. All of our 4S dealership stores are strategically located in populous and affluent regions in China with rapidly growing local economies. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, ultra-luxury brands such as Land Rover & Jaguar, and other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai. Sales under our luxury and ultra-luxury brands have contributed to an increasing percentage of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenue from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profit from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. We believe that our focus on luxury and ultra-luxury brands has enabled us to achieve rapid revenue and profit growth and increasing profit margins over the Track Record Period.

Since we commenced operation in 1999 and became one of the first authorized dealerships for Audi in 1999, we have established a proven track record in building successful, high quality 4S dealership stores. We opened one of the first BMW Brilliance authorized 4S dealership stores in China in 2004 and have since become one of BMW's most important and largest dealerships in China in terms of 2010 sales volume. BMW was one of the best-selling and one of the fastest growing luxury automobile brands in terms of sales volumes in China in 2010, according to Euromonitor. In 2010, China was the third largest market for BMW, and the fastest growing of its three largest markets worldwide in terms of sales volume according to BMW's 2010 annual report. In 2010, three of our BMW 4S dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Award. This ranking takes into account all operational aspects of a 4S dealership store, including sales performance, customer service quality and customer satisfaction rates. We were the only dealership group to achieve multiple placings in this ranking by BMW, which had around 170 authorized 4S dealership stores in China at the time of the ranking. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. We commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period and one of the largest Land Rover & Jaguar dealership groups in eastern China in terms of the number of stores as of June 30, 2011. We believe that our leading position and superior operational capabilities and expertise have enabled us to develop long term and stable relationships with leading automobile manufacturers and placed us in a strong position to win additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

We sold 14,081 units, 17,138 units, 22,314 units and 12,976 units of automobiles in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The following table sets forth a breakdown by geography of the average sales volume per store and average revenue from automobile sales per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands:

	Year Ended December 31,										Six Months Ended June 30,					
	2008		2009				2010				2010		2011			
Revenue Source	Sales Volume	Revenue	Sales Volume	Growth	Revenue	Growth	Sales Volume	Growth	Revenue	Growth	Sales Volume	Revenue	Sales Volume	Growth	Revenue	Growth
	Unit	RMB million	Unit	%	RMB million	%	Unit	%	RMB million	%	Unit	RMB million	Unit	%	RMB million	%
Automobile Sales																
Luxury and ultra-luxury brand automobile sales																
Shanghai	1,298	572.5	1,570	21.0	733.1	28.1	2,060	31.2	970.4	32.4	913	434.5	1,187	30.0	572.0	31.6
Jiangsu	1,669	823.1	1,733	3.8	849.0	3.1	1,972	13.8	977.2	15.1	905	437.9	1,025	13.3	473.7	8.2
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	976	—	497.5	—
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	649	—	336.6	—
Average:	**1,422**	**656.0**	**1,624**	**14.2**	**771.8**	**17.7**	**2,030**	**25.0**	**972.6**	**26.0**	**910**	**435.6**	**1,000**	**9.9**	**491.6**	**12.9**

Average sales volume per store of the three luxury and ultra-luxury dealership stores that have been in operation for at least 24 months as of January 1, 2011 grew by 24.5% from 910 units in the six months ended June 30, 2010 to 1,133 units in the six months ended June 30, 2011, while their average revenue from automobile sales per store grew by 23.8% from RMB435.6 million in the six months ended June 30, 2010 to RMB539.2 million in the six months ended June 30, 2011.

Our after-sales business, which generates recurring revenues and high profit margins for us, has grown significantly over the Track Record Period. We expect that our after-sales business will continue to grow. The following table sets forth a breakdown by geography of the average revenue from after-sales business per store and the gross profit margin of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands:

	Year Ended December 31,								Six Months Ended June 30,				
	2008		2009			2010			2010		2011		
Revenue Source	Revenue	Gross Margin	Revenue	Growth	Gross Margin	Revenue	Growth	Gross Margin	Revenue	Gross Margin	Revenue	Growth	Gross Margin
	RMB million	%	RMB million	%	%	RMB million	%	%	RMB million	%	RMB million	%	%
After-sales business													
Luxury and ultra-luxury brand													
Shanghai	81.5	40.9	94.8	16.3	46.5	114.7	21.0	49.3	49.4	49.8	57.8	17.0	47.7
Jiangsu	52.9	41.6	70.8	33.8	50.3	70.4	(0.6)	44.6	33.9	43.6	34.1	0.6	47.8
Zhejiang	—	—	—	—	—	—	—	—	—	—	—	—	—
Greater Bohai Rim Economic Region	—	—	—	—	—	—	—	—	—	—	—	—	—
Average:	**71.9**	**41.0**	**86.8**	**20.7**	**47.6**	**99.9**	**15.1**	**48.2**	**44.2**	**48.2**	**49.9**	**12.9**	**47.7**

We have a proven track record for rapid organic expansion and have accelerated the growth in our network since early 2009 by increasing the number of our 4S dealership stores from 13 as of December 31, 2008 to 28 (including a jointly-controlled store) as of September 30, 2011. As of September 30, 2011, over 40% of our luxury and ultra-luxury 4S dealership stores had been operating for less than one year. As our newer stores continue to ramp up their operations, we expect them to experience higher revenue growth rates than our more established stores and to contribute to an increasing percentage of

our revenues and gross profits in 2011 and 2012. We operated two, six, nine and 11 BMW 4S dealership stores as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. In addition, we opened a BMW authorized repair center in 2010. Revenues derived from these BMW dealership stores and the repair center were RMB1,680.6 million, RMB2,958.2 million, RMB5,075.4 million and RMB3,403.9 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 45.4%, 57.3%, 65.8% and 65.0% of our total revenue for the relevant period. Since July 1, 2011, we have commenced operation at a new BMW dealership store, and as of the Latest Practicable Date, we had received BMW's authorizations, conditional approvals and non-binding letters of intent to establish four additional BMW 4S dealership store and showrooms by the end of 2011 and another six BMW 4S dealership stores and a repair center in 2012. We will seek opportunities to expand through further organic expansion and selective acquisitions in existing and new areas and to diversify our portfolio of luxury and ultra-luxury automobile brands. With our large and strategically located dealership network, we have been able to achieve synergies that provide significant competitive advantages in China's highly fragmented automobile dealership industry. Our operating scale allows us to better manage our automobiles and spare parts inventory turnover, coordinate and aggregate our purchases of automobile accessories and other products and implement a systematic approach to train and promote talented personnel.

We have recorded significant growth in our revenues and profits during the Track Record Period. Our revenue increased from RMB3,701.3 million in 2008 to RMB5,164.7 million in 2009 and RMB7,716.6 million in 2010, representing a CAGR of 44.4% and grew by 54.3% from RMB3,392.7 million for the six months ended June 30, 2010 to RMB5,233.3 million for the same period of 2011, while our net profits increased from RMB57.5 million in 2008 to RMB175.8 million in 2009 and RMB307.7 million in 2010, representing a CAGR of 131.3%, and grew by 63.0% from RMB131.2 million for the six months ended June 30, 2010 to RMB213.9 million for the same period of 2011. Our gross profit margins for automobile sales increased from 3.1% in 2008 to 5.0% in 2009, 6.0% in 2010 and 7.5% for the six months ended June 30, 2011, while our gross profit margins for our after-sales business increased from 41.6% in 2008 to 46.5% in 2009, 47.5% in 2010 and 48.0% for the six months ended June 30, 2011.

OUR COMPETITIVE STRENGTHS

The following competitive strengths have contributed to our success and we believe will continue to help us to compete and expand in China's growing automobile market:

As a leading luxury 4S dealership group in China, we are well positioned to benefit from the anticipated rapid growth in China.

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. China was the largest passenger vehicle market and the fastest growing of the 10 largest passenger vehicle markets, worldwide in 2010 in terms of sales volumes. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, and ultra-luxury brands such as Land Rover & Jaguar. As of September 30, 2011, 18 out of 28, or more than 60%, of our 4S dealership stores are dedicated to luxury and ultra-luxury brands. Sales of our

luxury and ultra-luxury brands have contributed to an increasing percentage of our revenues and gross profits from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenues from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profits from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Since July 1, 2011, we have commenced operation at two new luxury and ultra-luxury brand dealership stores and, as of the Latest Practicable Date, we obtained authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, which will increase the proportion of luxury and ultra-luxury brand stores in our network to over 70% when they are established. During our 12 years of experience in China's highly fragmented automobile dealership industry, we have been able to achieve the following key milestones:

- since we opened our first BMW 4S dealership store in 2004, we have become one of the most important and largest BMW dealerships in China in terms of 2010 sales volumes and we were the only dealership group to achieve multiple placings among the 10 BMW 4S dealership stores nationwide that won its 2010 Best Dealership Quality Award. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. BMW was one of the best-selling and one of the fastest growing luxury brands in terms of sales volumes in China in 2010, according to Euromonitor;

- according to Euromonitor, we are a leading BMW dealership group in terms of 2010 sales volumes in each of the regions where we operate, especially in Jiangsu, Liaoning and Shanghai, where per store sales volume of our BMW stores is generally 30% higher than the average per store sales volume of our key competitors in 2010;

- our Audi 4S store ranked 2nd among all the 10 Audi 4S stores in Shanghai in terms of sales volume in 2010, according to Euromonitor; and

- we commenced operation of three Land Rover & Jaguar dealership stores from November 2010 (when we started our cooperation with Land Rover & Jaguar) to June 30, 2011. According to Euromonitor, this makes us the dealership group which opened the largest number of Land Rover & Jaguar dealership stores in this period and one of the largest Land Rover & Jaguar dealership groups in eastern China in terms of the number of stores as of June 30, 2011.

Our sales of luxury and ultra-luxury automobiles usually result in higher profit margins than our sales of other types of automobiles and has contributed to the growth of our after-sales service business as luxury and ultra-luxury automobile users tend to demand the premium after-sales offered by 4S dealership stores. During the Track Record Period, over 85% of the new customers of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands returned to our 4S dealership stores for maintenance or repair services.

As a result of our focus on luxury and ultra-luxury brands, we have recorded significant growth in our revenues and profits during the Track Record Period. We believe that our strong automobile brand portfolio positions us well to capture future growth opportunities in the luxury and ultra-luxury markets.

We have a well-established network of stores strategically located in populous and affluent regions with rapidly growing economies.

We have a well-established network of stores strategically located in populous and affluent regions in the PRC with rapidly growing economies. The regions where we operate, namely, Shanghai, Jiangsu, Zhejiang, Shandong, Tianjin and Liaoning, were all ranked in the top 10 in terms of per capita GDP in China in 2010 according to the Economist magazine. Sales of luxury and ultra-luxury passenger vehicles in these regions accounted for 47.2% of total sales of luxury and ultra-luxury passenger vehicles in China in 2010, according to Euromonitor. Our presence in these affluent regions differentiates us from competitors who operate in less developed regions. The relatively higher disposable income per capita of the population in these regions generates higher demand for passenger vehicles, particularly for luxury and ultra-luxury passenger vehicles, and for the premium after-sales services offered by 4S dealership stores. Despite their relatively developed economies compared to other regions in China, the passenger vehicle ownership rates in Shanghai, Zhejiang, Jiangsu, Shandong, Tianjin and Liaoning are still well below the passenger vehicle ownership rates in developed countries such as the United States, Japan and Germany and passenger vehicle demand in these regions still have high potential for growth. At the same time, local demand for passenger vehicles in these regions developed earlier than elsewhere in China and, as a result, we believe that there is a growing number of end users who may replace their aging automobiles over the next few years. We believe that many of these potential customers will seek an upgrade when they replace their automobiles due to the increase in affluence in these regions in the past decade. As ownership of passenger vehicles in the regions where we operate increases, we also benefit from a fast growing after-sales services market that generates much higher margins than new vehicle sales. We believe that the advantageous locations of our luxury and ultra-luxury stores contribute to our high per store sales volumes and revenues.

Shanghai municipality. We operated 13 dealership stores in Shanghai as of September 30, 2011. The average revenue from automobile sales per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands in Shanghai increased by a CAGR of 30.2% from RMB572.5 million in 2008 to RMB970.4 million in 2010 and reached RMB572.0 million in the six months ended June 30, 2011. We commenced operation of a new Land Rover & Jaguar dealership store in Shanghai in January 2011. Sales volume at this new store in Shanghai reached 493 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB447.5 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Shanghai was RMB2,798.1 million, RMB3,206.0 million, RMB3,925.9 million and RMB2,511.4 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 75.6%, 62.1%, 50.9% and 48.0%, respectively, of our total revenue for the relevant period.

Jiangsu province. We operated seven stores in Jiangsu province as of September 30, 2011, six of which were opened after 2008. All of these stores are luxury or ultra-luxury brand stores. The average revenue from automobile sales per store of our Comparable Store for Automobile Sales in Jiangsu increased by a CAGR of 9.0% from RMB823.1 million in 2008 to RMB977.2 million in 2010 and reached RMB473.7 million in the six months ended June 30, 2011. We had five dealership stores in Jiangsu that have been in operation for less than one year as of June 30, 2011. Average sales volume per store of these stores reached 125 units in the six months ended June 30, 2011, while average revenue per store from automobile sales derived from these stores was RMB64.3 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Jiangsu was RMB876.0

million, RMB1,038.4 million, RMB1,367.3 million and RMB1,001.5 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 23.7%, 20.1%, 17.7% and 19.1%, respectively, of our total revenue for the relevant period.

Zhejiang province. We operated five stores in Zhejiang province as of September 30, 2011, all of which were opened after 2008. All of these stores are luxury or ultra-luxury brand stores. The average revenue from automobile sales per store of our stores in Zhejiang which opened in 2009 increased by 134.3% from RMB359.3 million in 2009 to RMB841.8 million in 2010 and reached RMB497.5 million in the six months ended June 30, 2011. We commenced operation of a new Land Rover & Jaguar dealership store in Zhejiang in May 2011. Sales volume at this new store in Zhejiang reached 41 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB46.3 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Zhejiang was RMB23.4 million, RMB727.9 million, RMB1,725.4 million and RMB1,072.0 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 0.6%, 14.1%, 22.4% and 20.5%, respectively, of our total revenue for the relevant period.

Greater Bohai Rim Economic Region. We operated three stores in the Greater Bohai Rim Economic Region as of September 30, 2011, including one store which commenced operation in May 2009 and two stores which commenced operation in 2010. All of these stores are luxury or ultra-luxury brand stores. The revenue from automobile sales of the store which opened in 2009 increased by 159.3% from RMB188.1 million in 2009 to RMB487.7 million in 2010 and reached RMB336.6 million in the six months ended June 30, 2011. We commenced operation of a new BMW dealership store in Tianjin in July 2010. Sales volume at this new store in Tianjin reached 558 units in the six months ended June 30, 2011, while revenue from automobile sales derived from this store was RMB294.5 million in the six months ended June 30, 2011. Revenue derived from our dealership stores in Greater Bohai Rim Economic Region was RMB3.8 million, RMB192.4 million, RMB698.0 million and RMB648.4 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, accounting for 0.1%, 3.7%, 9.0% and 12.4%, respectively, of our total revenue for the relevant period.

Our superior sales, after-sales services and other operational capabilities and expertise enabled us to form strong partnerships with leading automobile manufacturers.

We have a proven track record in establishing successful, high quality dealership stores. We were among the first dealership groups authorized by BMW Brilliance, Audi, Buick and FAW Toyota to establish 4S stores in China. We believe that our superior operational capabilities and expertise have helped our automobile manufacturer partners gain market share and win customer loyalty in China, which have contributed to our long term and stable relationships with them. Our superior sales, after-sales services and other operational capabilities and expertise have been recognized by numerous awards from automobile manufacturers, industry groups, media and government entities. In 2010, three of our BMW 4S dealership stores ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Awards. In 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best 4S dealership stores nationwide for after-sales business. One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is only given to the top 10% of its 4S dealership stores in terms of overall performance for sales and after-sales services, respectively. See "—Our Dealership Network—Awards and Achievements" below.

Our strong sales capabilities are evident from our strong per store sales performance and revenue per store over the Track Record Period. Average sales volume per store of our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands increased by 14.2% from 1,422 units in 2008 to 1,624 units in 2009 and by a further 25.0% to 2,030 units in 2010 and reached 1,000 units for the six months ended June 30, 2011, while their average revenue from automobile sales per store increased by 17.7% from RMB656.0 million in 2008 to RMB771.8 million in 2009 and by a further 26.0% to RMB972.6 million in 2010 and reached RMB491.6 million for the six months ended June 30, 2011.

Our strong after-sales service capabilities are evident from the significant growth in our after-sales business over the Track Record Period. Average revenue from after-sales business per store of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands grew by 20.7% from RMB71.9 million in 2008 to RMB86.8 million in 2009 and by a further 15.1% to RMB99.9 million in 2010 and reached RMB49.9 million for the six months ended June 30, 2011. The combined gross profit margin of our Comparable Stores for After-sales Business of luxury and ultra-luxury brands increased from 41.0% in 2008 to 47.6% in 2009, 48.2% in 2010 and was 47.7% for the six months ended June 30, 2011. During the Track Record Period, over 85% of the new automobile customers for our Comparable Stores for Automobile Sales of luxury and ultra-luxury brands returned to our dealership stores for their maintenance or repair services, which we attribute to our high service quality and superior operational capabilities.

We believe that our superior operational capabilities and expertise have enabled us to develop long term and stable relationships with leading automobile manufacturers and placed us in a strong position to win additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

We have a proven track record for rapid organic expansion and successfully managing our store network across different areas.

We have a proven track record for rapid organic expansion and successfully managing our store network across different areas. We have rapidly expanded our network since early 2009 by opening four new 4S dealership stores in 2009, three (including a jointly-controlled entity) in 2010 and eight during the nine months ended September 30, 2011, which increased the number of our luxury and ultra-luxury 4S dealership stores from three as of December 31, 2008 to 18 (including a jointly-controlled entity) as of September 30, 2011. All of our 4S dealership stores were established and are operated by us, except for a jointly-controlled entity which we established and operate together with an Independent Third Party. We have been able to ramp up sales at our new stores and generate profit within the first six to eight months of commencement of operation. Our ability to successfully ramp up sales in new stores is demonstrated, for example, by Qingdao Xinbaohang, a BMW 4S store, which commenced operation in May 2009 and recorded revenue from automobile sales of RMB188.1 million in 2009, and Shanghai Tianhua, a Land Rover & Jaguar store, which commenced operation in January 2011 and recorded revenue from automobile sales of RMB447.5 million during the six months ended June 30, 2011. Many of our new stores are located in areas that were new markets for us, including Hangzhou, Ningbo and Qingdao, which we believe demonstrates our ability to successfully expand into and operate across different areas. We signed our first letter of intent with Land Rover & Jaguar in November 2010 and had opened four new 4S dealership stores under this brand by September 30, 2011.

We have an operating model for establishing new stores which has been successfully replicated in different areas. When selecting a new area, we take into account a broad range of factors, including, among others, local disposable income per capita, consumption patterns and automobile ownership rates. In selecting a new store venue, we consider different factors, such as convenience and ease of access, traffic flow and parking availability. We operate standardized processes for work allocation, training and promotion which enable us to use our human resources efficiently, help to instill our business practices and corporate culture at new stores and ensure consistent service quality across our network. Our large pool of skilled employees allow us to staff new stores quickly and appropriately. To help our new stores normalize their operations quickly, we have a dedicated Dealership Quality Program (DQP) team of highly experienced management, sales and after-sales personnel that oversees the establishment and early operation of all our new 4S dealership stores. We also select seasoned store managers and sales and after-sales personnel from our existing stores and post them to our new stores.

We believe that we are well positioned to obtain new dealership authorizations and representations of new brands due to our strong partnerships with leading automobile manufacturers, proven track record and strong operational capabilities and expertise. We also believe that our ability to open new stores quickly makes us an attractive partner for automobile manufacturers when they expand. We expect our network of luxury and ultra-luxury brand dealership stores to generate sustainable growth for our business in the long term.

We are led by an experienced senior management team with a proven track record and we have a large and growing pool of skilled employees to support our expanding network and business.

We are led by an experienced senior management team that has, over the years, overseen the growth of our business through different economic cycles, our transition into a dealership group focused on luxury and ultra-luxury brands, the increase in the number of our 4S stores, our expansion into 10 additional cities from our initial base in Shanghai and the growth of our automobile brand portfolio from one in 1999 to the existing 12. Many members of our senior management team, including Mr. Yang Aihua, Mr. Yang Hansong and Mr. Zhu Jieling, have worked in China's automobile industry since the 1980s. The majority of our senior management team has been with our Group for more than 10 years. We believe that their operational experience and long history with our Group have given them in-depth knowledge of our business and customers and contributed significantly to our success.

We have a large pool of employees, including 81 management personnel, 704 sales and marketing personnel and 1,239 after-sales service personnel as of September 30, 2011, to support our planned network expansion. We dedicate significant resources to personnel training, recruiting and promotion. Over the Track Record Period, our staff has doubled to meet the requirements of our growing dealership network and business operations. A number of our employees have been honored with accolades from automobile manufacturers in the past, including the "Top Dealer Management Award", "Top Marketing Performance Award", "Top Service Performance Award" and "Media Coverage Award" awards of BMW. See "—Our Dealership Network—Awards and Achievements" below. Based on our experience and the training programs of our automobile manufacturer partners, we have developed standardized processes and comprehensive courses for the training of our employees and continuous upgrading of their skills and know-how. We employ full time in-house trainers and regularly apprentice new recruits to our best performing dealership stores for training. We have a systematic approach for identifying and promoting talented employees, often by rotating them to different stores, which offer them long-term

career paths and performance incentives and allow us to leverage the skills and know-how of our more experienced employees at our new stores. As a result of the foregoing, we have a large and growing pool of skilled employees to support our expanding network and business.

Our large operating scale allows us to enjoy competitive advantages in China's highly fragmented automobile dealership industry.

Our large operating scale allows us to achieve synergies that provide significant competitive advantages in China's highly fragmented automobile dealership industry.

We are able to coordinate and aggregate orders for automobile accessories and other products due to our operating scale in different regions. We can also re-allocate automobile and spare parts inventory and repair and maintenance orders among different stores of same automobile brand in the same general area according to demand and available capacity. This flexibility allows us to exercise better inventory control and helps us to optimize the mix of automobiles and other products in each of our dealership stores. In addition, the scale of our operations and our considerable financial resources put us in a better position than smaller competitors to bargain for better commercial terms from suppliers of automobile accessories and other products.

As a result of our operating scale, we have greater liquidity and better access to bank financing and other financial resources than smaller competitors, which enable us to order optimal quantities of automobiles as well as spare parts, automobile accessories and other products from our suppliers to meet the demands of our customers. In addition, through a centralized budgeting and management process, we are able to allocate our financial resources more efficiently across our entire dealership network. In addition, as a large group, we can have more resources for projects that benefit our stores, such as our proposed training institute in Changshu and our centralized enterprise resource planning (ERP) system.

OUR STRATEGIES

Our goal is to strengthen our market position as a leading luxury 4S dealership group in China and to capture the opportunities in the large and fast-growing luxury and ultra-luxury markets by pursuing the following strategies:

Continue to expand dealership network and brand offerings through organic store growth and selective acquisitions.

We will continue to focus primarily on luxury and ultra-luxury brands to attract high net worth customers who require premium products and services, are less price sensitive and have greater brand loyalty, and we intend to increase the proportion of our stores dedicated to these brands. We plan to expand our 4S dealership network over the next few years through new store openings, and we may make selective acquisitions of other 4S dealerships if suitable opportunities arise.

Organic growth. We will continue to strengthen our leading position in eastern China by leveraging our presence, local knowledge and relationships in the areas where we already operate to expand into adjacent or nearby areas. We will also seek opportunities to expand into other populous and affluent areas with rapidly growing economies and relatively higher disposable income per capita, which we believe are poised to have significant growth potential in passenger vehicle demand. We plan to focus our network expansion in the foreseeable future primarily in provincial, sub-provincial and

prefectural cities, but we believe that certain county cities and smaller towns that are relatively affluent could also offer significant growth potential in passenger vehicle demand and we will selectively expand into such areas. We will also continue to open new stores for our mid-to-upper market brands opportunistically when we identify suitable store venues or markets.

We also plan to pursue opportunities to cooperate with other luxury or ultra-luxury brand automobile manufacturers to expand our brand portfolio. We believe that our well-established relationships with leading automobile manufacturers and our successful track record in operating luxury and ultra-luxury brands, including BMW and Land Rover & Jaguar, position us well to obtain authorizations from other luxury and ultra-luxury brand manufacturers. We believe that the addition of other luxury and ultra-luxury brands will leverage our existing strengths, complement our existing brand portfolio and enhance our product mix.

Acquisitions. We believe that, due to the highly fragmented nature of China's automobile dealership industry and automobile manufacturers' increasing preference to work only with the larger dealership groups, there will be attractive opportunities for industry consolidation. We will seek opportunities to acquire other dealership groups of a meaningful size that provide access to new geographical markets, expand our customer base and diversify our brand portfolio. We believe that our well-established relationships with leading automobile manufacturers and our experience and operational expertise in this industry will enable us to integrate any acquired targets into our dealership network and realize synergies from such acquisitions. We will leverage our existing network, industry experience and operating expertise to improve the performance of acquired stores. We had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions as of the Latest Practicable Date.

Continue to enhance and expand our after-sales capabilities and capacity.

Our after-sales business generates recurring revenues and high profit margins for us. We expect the accumulation in our new automobile customers to develop into a growing after-sales customer base over time. To grow our after-sales services business, we plan to continue to increase our service capacity, expand the scope of our after-sales services, improve the productivity of our after-sales service personnel and expand into new product and service offerings.

To increase our service capacity, we are extending service hours and expanding or maximizing utilization of the floor space allocated to the provision of after-sales services at our existing stores. We are also reallocating work flow among different stores within the same region to increase the utilization of our service capacity. We currently operate one BMW authorized repair center which is dedicated to providing after-sales services for BMW and generates profitable after-sales revenues for us. We plan to open additional repair centers to capture increasing market demand. As of the Latest Practicable Date, we had received authorization to establish another BMW authorized repair center.

To improve the productivity of our after-sales service personnel, we are in the process of rolling out an initiative at all of our stores which is designed to increase productivity through (1) increasing the degree of specialization of our after-sales service technicians by categorizing customer orders according to different automobile models and work type and allocating work more systematically according to its complexity and the level of experience and technical expertise required, (2) introducing systematic performance evaluation procedures and measures to better evaluate an employee's performance and

output, and adopting compensation practices to incentivize employees to increase their output and improve their skills and efficiency, and (3) adopting more efficient designs of our after-sales service areas based on workstreams for different automobile models and tasks.

In addition, we will continue to broaden our revenue sources and enhance our profitability by expanding our other automobile related businesses, including our automobile styling and accessories businesses which have high profit margins. The automobile accessories that we offer include electronics, styling products and automobile care products. We believe that the increasing demand for automobile styling and automobile care products, together with our large and growing automobile customer base, provide significant growth potential for our automobile accessories business. The majority of our automobile accessories are obtained from independent suppliers. We intend to maintain and strengthen our relationships with these suppliers in order to expand our offering of high-quality automobile accessories and provide our customers with the latest and most advanced products at attractive prices.

In addition, we are working with insurance companies to develop certified collision damage assessment centers within the service shops of our dealership stores. We believe that these damage assessment centers would bring more repair service referrals to our stores. Other services we are currently expanding include a 24-hour customer service call center and emergency roadside towing service.

Further enhance our operational capabilities and sales and marketing efforts.

We will continue to seek ways to enhance our operational capabilities and sales and marketing efforts to improve sales performance and improve profitability.

As part of our continuing efforts to improve our performance, we will continue to enhance our training programs and improve the product familiarity and other professional knowledge of our sales personnel. We will also enhance our sales and marketing efforts through more advertising and marketing campaigns and participation in promotional events, such as sponsorships of selected events where a high proportion of the attendees are likely to meet our targeted customer demographics. We plan to further grow our automobile-related services, such as our agency services for automobile insurance policies and new automobile registration services, through more proactive sales and marketing initiatives.

We plan to further upgrade our centralized ERP system over the next 12 months to enhance our operational efficiency. These upgrades are designed to enhance our management of supplies purchases and inventory across different stores, which will in turn help to reduce our inventory turnover days and related expense.

Continue to attract, train and retain skilled employees to support our future growth and expansion.

We recognize that our employees are critical to our long term success, and therefore we plan to continue to focus on attracting, training and retaining skilled employees to support our continuing growth and expansion. We plan to open a dedicated training institute in Changshu, Jiangsu province by December 31, 2011. Our training institute in Changshu will be located adjacent to our 4S dealership store in Changshu and equipped with its own campus, after-sales service facilities, classrooms and boarding facilities. This training institute will provide training courses for all levels of our employees in different fields, including technical skills, product knowledge, customer service, sales and communications skills and management skills.

We plan to train and internally promote a majority of the store managers, senior managers and skilled technical personnel required to support our expansion. We plan to continue to evaluate and enhance our human resources management processes to strengthen our ability to train, identify and retain employees. We will continue to regularly evaluate the performance of our employees and provide talented employees with career opportunities within our Group. We will also continue to evaluate our merit-based compensation system to ensure that incentives are aligned with performance. In addition to the automobile manufacturers' standard training courses, we will continue to invest in, develop and upgrade our in-house training programs. As part of our initiative to improve employee productivity, we are developing standardized processes and course modules to help our employees develop the skills and product knowledge relevant to the automobile brands and geographical areas that they service.

OUR DEALERSHIP NETWORK

Overview

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business, with 28 4S dealership stores as of September 30, 2011. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. As of the Latest Practicable Date, we had received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. Of our 28 existing dealership stores as of September 30, 2011, 18 are dedicated to luxury and ultra-luxury brands, including BMW, MINI, Audi, Land Rover & Jaguar and Cadillac, and the other 10 specialize in mid-to-upper market brands, including Buick, Toyota, Honda, Volkswagen, Chevrolet, Hyundai and Nissan. In addition, as of September 30, 2011, we also operated one BMW authorized repair center and two automobile customization centers, and we had another BMW authorized repair center and three BMW showrooms under development.

All of our stores are strategically located in populous and affluent regions in China with rapidly growing local economies, including Shanghai, Jiangsu and Zhejiang where we had 13, seven and five 4S dealership stores, respectively, as of September 30, 2011. We have also expanded into the Greater Bohai Rim economic region with three 4S dealership stores in Shandong, Liaoning and Tianjin as of September 30, 2011.

We offer a comprehensive range of automobile-related sales and services including (1) sale of new automobiles, both imported and domestically manufactured, (2) automobile maintenance and repair services, (3) sales of automobile accessories and other automobile-related products, (4) automobile customization and styling services and (5) sales-related agency services that help buyers obtain insurance, title and registration. Our 4S dealership stores also conduct consumer surveys and provide other customer support for automobile manufacturers. Each of our 4S dealership stores has a non-exclusive dealership authorization arrangement with one automobile manufacturer (or its PRC affiliates) to offer only the products of and services for one or more brands of that manufacturer.

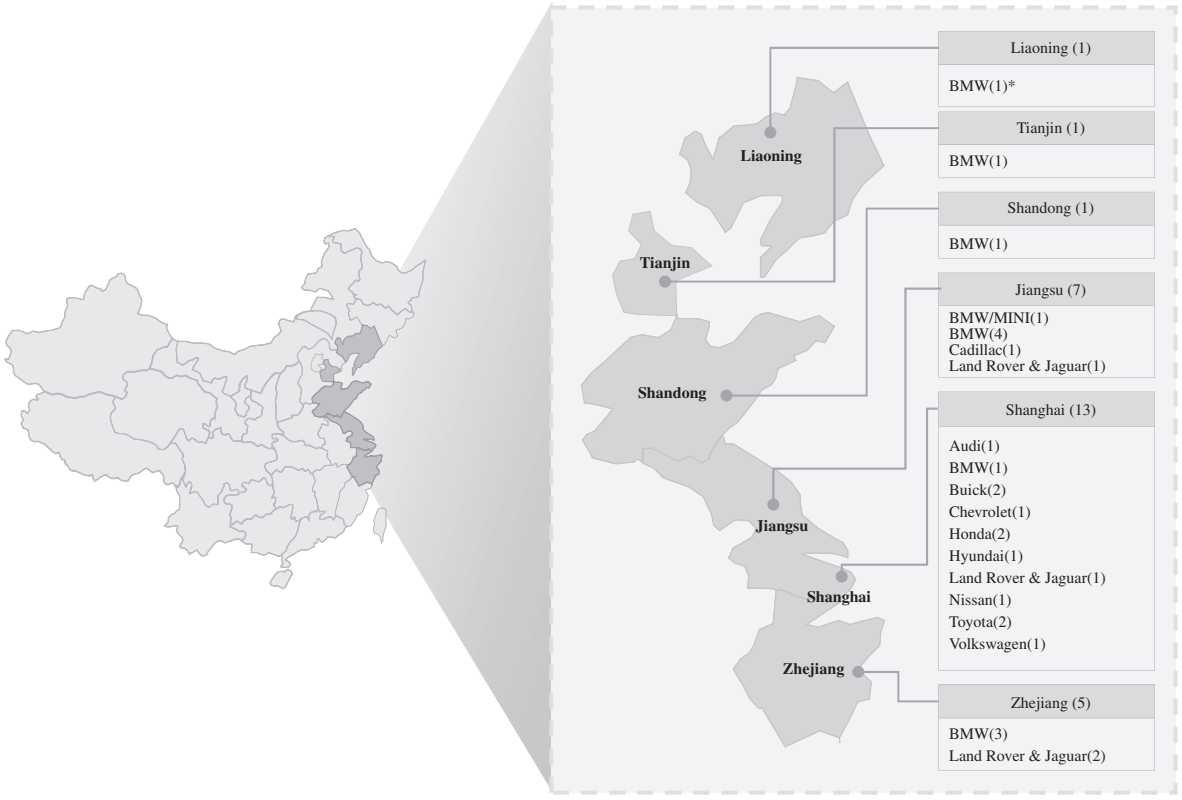
The following table sets forth a breakdown of our revenue for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
Revenue Source	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobiles Sales										
Luxury and ultra-luxury brands	1,994,348	53.9	3,336,666	64.6	5,583,995	72.4	2,451,315	72.3	4,213,133	80.5
Mid-to-upper market brands	1,341,874	36.2	1,392,256	27.0	1,584,111	20.5	703,505	20.7	708,927	13.5
After-sales Business[(1)]	365,039	9.9	435,808	8.4	548,458	7.1	237,913	7.0	311,268	6.0
Total	**3,701,261**	**100.0**	**5,164,730**	**100.0**	**7,716,564**	**100.0**	**3,392,733**	**100.0**	**5,233,328**	**100.0**

Note:

(1) Includes revenue from the provision of after-sales services, such as repair, maintenance and customization, related sales of spare parts, and sales of automobile accessories and other products.

The map below sets forth the geographic distribution of our 4S dealership stores as of September 30, 2011.



* *Refers to a jointly-controlled entity whose revenues and sales volume are not included in our combined data.*

The following table sets forth the details of our 4S dealership stores as of September 30, 2011. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

Dealership Store	City	Province	Commenced Operation	Dealership Expiration Date
Luxury and Ultra-luxury Brand 4S Stores				
BMW				
Shanghai Baoxin	Shanghai	Shanghai	April 2004	December 2011
Hangzhou Baoxin[6]	Hangzhou	Zhejiang	January 2009	December 2012
Ningbo Baoxin	Ningbo	Zhejiang	February 2009	December 2011
Changshu Baoxin[6]	Changshu[1]	Jiangsu	March 2009	December 2011
Qingdao Xinbaohang	Qingdao	Shandong	May 2009	December 2012
Shenyang Xinbaohang[2]	Shenyang	Liaoning	January 2010	December 2011
Tianjin Baoxin	Tianjin	Tianjin	July 2010	December 2013
Yangzhou Xinbaohang[6]	Yangzhou	Jiangsu	September 2010	December 2013
Taizhou Xinbaohang[6]	Taizhou	Jiangsu	January 2011	December 2013
Suzhou Xinbaohang	Suzhou	Jiangsu	April 2011	December 2014
Ninghai Baoxin	Ningbo	Zhejiang	August 2011	December 2014
BMW/MINI				
Suzhou Baoxin	Suzhou	Jiangsu	February 2005	December 2011
Land Rover & Jaguar				
Shanghai Tianhua	Shanghai	Shanghai	January 2011	December 2011
Ningbo Tianhua	Ningbo	Zhejiang	May 2011	December 2011
Wuxi Tianhua	Wuxi	Jiangsu	May 2011	December 2011
Jiaxing Tianhua	Jiaxing	Zhejiang	July 2011	April 2012
Audi				
Shanghai Kailong Qimao[3]	Shanghai	Shanghai	December 1999	December 2011
Cadillac				
Yangzhou Mingkai	Yangzhou	Jiangsu	May 2011	March 2013
Mid-to-Upper Market Brand 4S Stores				
Buick				
Shanghai Taipingyang Jinsha	Shanghai	Shanghai	September 2002	March 2012
Shanghai Taipingyang Hongqiao	Shanghai	Shanghai	August 2004	March 2012
Chevrolet				
Shanghai Taipingyang Shenlong	Shanghai	Shanghai	May 2005	March 2013
Toyota (FAW)				
Shanghai Kailong Toyota	Shanghai	Shanghai	October 2002	March 2012
Toyota (GAC)				
Shanghai Xuhui Kailong	Shanghai	Shanghai	June 2006	May 2012
Honda (GAC)				
Shanghai Xinlong	Shanghai	Shanghai	May 2003	December 2011
Shanghai Ya'ou	Shanghai	Shanghai	December 2005	December 2011
Volkswagen (FAW)				
Shanghai Kailong Qifu	Shanghai	Shanghai	October 2001	December 2011
Hyundai				
Shanghai Zhongchuang[4]	Shanghai	Shanghai	December 2003	December 2011
Nissan (Dongfeng)				
Minhang Automobiles[5]	Shanghai	Shanghai	November 2001	March 2012

Notes:

(1) Changshu, Jiangsu Province is a county city.

(2) Shenyang Xinbaohang is a jointly-controlled entity whose revenues and sales volume are not included in our combined revenues and sales volume.

(3) The dealership authorization agreement for this 4S dealership store was entered into with FAW-Volkswagen Sales Co., Ltd, the general distributor for the Audi automobiles manufactured by FAW-Volkswagen Automobiles Co., Ltd.

(4) The land on which this dealership store is located is owned by Shanghai Kailong Qixiao, a company controlled by one of the Controlling Shareholders. See "Relationship with Our Controlling Shareholders—Lease Arrangements with a Connected Person" for additional information.

(5) The land on which this dealership store is located is owned by Shanghai Kailong Qixiao, a company controlled by one of the Controlling Shareholders. See "Relationship with Our Controlling Shareholders—Lease Arrangements with a Connected Person" for additional information.

(6) We hold alternative properties where we will be able to relocate this dealership store to in the future should we believe it is in the interest of the Company to do so. As of the Latest Practicable Date, we did not have any plan or time schedule for any such relocation.

Other Stores

In addition to 4S dealership stores, our network also included other stores as of September 30, 2011, including:

- A BMW authorized repair center in Shanghai, which offers BMW after-sales services and spare parts. This store, which opened in 2010, supplements the repair capacity of our BMW 4S dealership store in Shanghai.

- Two automobile customization centers in Shanghai that provide a broad range of vehicle styling and detailing services, such as window tinting and electronics installation, for different brands of automobiles. These two automobile customization centers opened in 2003 and 2010, respectively.

As of the Latest Practicable Date, we had received authorizations to commence operations at three showrooms, which engage in sales of automobiles but do not offer after-sales services.

Awards and Achievements

Our 4S dealership stores have received numerous awards and recognition from automobile manufacturers, industry trade associations, media and government bureaus, including the following:

- In 2008, we were named one of the 10 most influential 4S dealership groups in China by the CADA, and in 2010, we were awarded the CADA's 2010 Dealership Service Innovation Award.

- In 2010, three of our BMW stores were selected from around 170 BMW 4S dealership stores in China and ranked 2nd, 3rd and 9th, respectively, out of the 10 BMW 4S dealership stores nationwide that won its Best Dealership Quality Awards. We were the only dealership group to achieve multiple placings in this ranking, which takes into account all operational aspects of a dealership store, including sales performance, customer service quality and customer

satisfaction rates. In addition, in 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best dealership stores nationwide for after-sales business.

- One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is awarded only to the top 10% of its dealerships as ranked by Shanghai GM.

In addition, a number of our employees have been honored accolades from automobile manufacturers in the past. In 2007, the spare parts department manager of our Shanghai BMW store won first place globally in BMW's After-sales Competition of Excellence for product knowledge and sales of parts, accessories, and lifestyle products and was honored at BMW headquarters in Germany. Other awards include the "Most Valuable Employee" of GAC-Toyota (2008 and 2010) and the "Top Dealer Management Award" (2008), "Top Marketing Performance Award" (2008), "Top Service Performance Award" (2009) and "Media Coverage Award" (2009) awards of BMW.

Network Expansion

Our network expansion to date has been achieved through organic growth. The following table sets forth the number of our 4S dealership stores as of the dates indicated:

	As of January 1,	As of December 31,			As of June 30,	As of September 30,
Number of Stores	**2008**	**2008**	**2009**	**2010**	**2011**	**2011**
Luxury and ultra-luxury brands	3	3	7	10[(1)]	16[(1)]	18[(1)]
Audi	1	1	1	1	1	1
BMW	2	2	6	9[(1)]	11[(1)]	12[(1)]
Cadillac	—	—	—	—	1	1
Land Rover & Jaguar	—	—	—	—	3	4
Mid-to-upper market brands	10	10	10	10	10	10
Total	13	13	17	20[(1)]	26[(1)]	28[(1)]

(1) Includes a jointly-controlled entity whose revenues and sales volume are not included in our combined data.

As of the Latest Practicable Date, we had received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Our showrooms engage in sales of automobile but do not offer after-sales services. The details of these stores are described below:

Geographical Location	Brand	Store Type	Actual/Planned Commencement Date
Ningbo, Zhejiang Province[1][5]	BMW	Showroom	November 2011
Qingdao, Shandong Province[1][5]	BMW	Showroom	November 2011
Tianjin[1][5]	BMW	Showroom	November 2011
Zibo, Shandong Province[2]	Land Rover & Jaguar	4S store	November 2011
Dandong, Liaoning Province[2][5]	BMW	4S store	December 2011
Tianjin[2]	Land Rover & Jaguar	4S store	1st quarter of 2012
Dongguan, Guangdong Province[2]	BMW	4S store	2nd quarter of 2012
Wuxi, Jiangsu Province[2]	BMW	4S store	2nd quarter of 2012
Yantai, Shandong Province[2]	BMW	4S store	2nd quarter of 2012
Fuyang, Zhejiang Province[2][3][4]	BMW	4S store	2nd quarter of 2012
Shanghai[2]	Audi	4S store	2nd quarter of 2012
Shenyang, Liaoning Province[2]	BMW	Repair center	2nd quarter of 2012
Beijing[2]	BMW	4S store	2nd quarter of 2012
Shanghai[2]	BMW	4S store	4th quarter of 2012

(1) We have received the relevant automobile manufacturer's authorization to commence the operation of this store and are in the process of negotiating a dealership authorization agreement for this store.

(2) We have received a non-binding letter of intent for this store from the relevant automobile manufacturer.

(3) Fuyang, Zhejiang Province is a county city.

(4) We are in the process of acquiring a property for this dealership store. See "Our Business—Properties—Property to be Acquired" for additional information.

(5) We had entered into a lease agreement for this dealership store as of the Latest Practicable Date.

We are in the process of obtaining the government approvals, licences and permits required for the 14 stores that we plan to launch in 2011 and 2012. As to the Latest Practicable Date, we had duly incorporated legal entities for eight of the 14 stores. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that they do not anticipate any substantive legal impediment for us to obtain the necessary approval from MOFCOM or its local counterparts for the establishment of our planned stores. See "Risk Factors—Risks Relating to Our Business—Our status as a foreign enterprise could complicate our efforts to make acquisitions or expand our dealership network in the PRC" and "Regulatory Overview—Regulations Relating To the PRC Automobile Industry—30 Dealership Limitation" for additional information.

We are in the process of securing premises for the 14 stores which we plan to launch in 2011 and 2012. As of the Latest Practicable Date, we secured premises for six of these stores in Ningbo, Qingdao, Tianjin, Dandong, Fuyang and Zibo as disclosed in the table above, and will determine whether to purchase or lease premises for other planned stores in due course taking into account of land availability

and other specific circumstances in the local area and our business needs. We estimate that our capital expenditure for establishing the planned 4S dealership stores will range between RMB40 million to RMB100 million per store, depending on location and other factors, such as whether the store is located on purchased or leased premises. For stores located on purchased premises, approximately 40% to 55% of the total capital expenditure will be used for the related land use rights and property construction and renovation. For stores located on leased premises, approximately 20% to 30% of the total capital expenditure will be used for leasehold prepayments and renovation. In addition, 25% to 40% of the total capital expenditure will be used to purchase equipment and fittings and approximately 10% to 15% of the total capital expenditure will be used for other purposes, including the purchase of automobiles for test drives.

We estimate that our capital expenditure for establishing the planned showrooms will range between RMB5 million to RMB6 million per store, approximately 50% to 65% of which will be used to renovate the store premises and approximately 35% to 50% of which will be used for leasehold rental payments.

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 from automobile sales and after-sales business, (ii) cash from other operating activities, such as automobile insurance commissions; and (iii) proceeds from bank loans and other borrowings.

We have an operating model for establishing new stores which has been replicated in different areas. 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 including, among others, local disposable income per capita, consumption patterns and automobile ownership rates. In selecting a new store venue, we consider different factors, such as convenience and ease of access, traffic flow and parking availability. Each new store proposal that we make for a target market includes our own market analysis and business plan. When our new store proposal is accepted by an automobile manufacturer, we are required to complete the construction and build-out of the dealership store within a prescribed time agreed by the manufacturer. Each completed dealership store must pass the manufacturer's inspection before it can commence its operations.

We operate standardized processes for work allocation, training and promotion which enable us to use our human resources efficiently, help to instill our business practices and corporate culture at new stores and ensure consistent service quality across our network. To help a new store ramp up its operations quickly, we have a dedicated Dealership Quality Program (DQP) team of highly experienced management, sales and after-sales personnel that oversees and supports the establishment and early operations of our new stores. We also select seasoned store managers and sales and after-sales personnel from our existing stores and post them to our new stores. Our large pool of management, sales and technical personnel allows us to staff new stores quickly and appropriately.

To maintain consistent service quality across our growing network, we provide regular training programs for all customer-facing employees and personnel from our headquarters will conduct site-visits, including unscheduled visits, to our stores to monitor their operations. To manage our inventory levels and working capital across different stores, we have a centralized ERP system that provides up-to-date information regarding our cash levels and accounts, as well as sales and inventory levels of

different automobile models at different 4S dealership stores on a daily basis, to our headquarters. This information is reviewed regularly to ensure that our stores are adequately funded and appropriately stocked with inventory.

Dealership Arrangements

We have dealership authorization agreements with BMW China, BMW Brilliance, Jaguar Land Rover, Shanghai GM, FAW Toyota, GAC Toyota, GAC Honda, Beijing Hyundai, FAW-Volkswagen, Dongfeng Nissan or their general automobile distributors in China.

The agreements are non-exclusive and granted for an initial period of one to three years. The automobile manufacturers, through dealership authorization agreements, impose standards and restrictions on the dealers of their vehicles. Under these agreements, the automobile manufacturers specify the locations of our 4S dealership stores and require us to observe their recommended pricing guidelines from time to time. Their representatives conduct site-visits, including unscheduled visits, to inspect the compliance of our stores with their requirements. Under our existing dealership authorization agreements, the automobile manufacturers usually require our 4S dealership stores to:

- sell only their brands of automobiles at that store;
- make full payment for our automobile inventory prior to shipment and take ownership and assume risk for the automobiles either upon shipment or upon delivery;
- provide designated services such as vehicle maintenance and provision of spare parts;
- adhere to the automobile manufacturer's design guidelines for the dealership stores; and
- observe the automobile manufacturers' sales policies.

The dealership authorization agreements permit our stores to use the automobile manufacturer's trademarks, trade names and other marketing and branding content in ways consistent with standards set by the automobile manufacturer to promote sales at our 4S dealership stores. The agreements generally do not impose minimum purchase requirements on our 4S dealership stores. The automobile manufacturers can terminate the agreements with written notice 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. Our PRC legal advisors, Jingtian & Gongcheng, have advised that we have complied with the restriction on unapproved business relationships with other automobile manufacturers. The notice period required to terminate a dealership authorization agreement varies for different agreements according to the policies of different automobile manufacturers and ranges from nil (namely, a termination notice that takes immediate effect) to 90 days. During the Track Record Period, none of our dealership authorization agreements was terminated before its expiration date or not renewed after it expired and there was no material adverse change in the terms of these agreements.

Our discussions with automobile manufacturers to renew a dealership agreement usually start around a month before its expiration date. As the expiration date for all of our dealership authorization agreements expiring in 2011 is December 31, 2011, we have not commenced discussions with the

relevant automobile manufacturers for their renewal. We expect to be able to renew all of these agreements before they expire. We were able to renew all of our dealership authorization agreements which expired during the Track Record Period.

AUTOMOBILE SALES

We derive a majority of our revenue from automobile sales. The following table shows our revenue from automobile sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands[(1)]	1,994,348	59.8	3,336,666	70.6	5,583,995	77.9	2,451,315	77.7	4,213,133	85.6
Mid-to-upper market brands[(1)]	1,341,874	40.2	1,392,256	29.4	1,584,111	22.1	703,505	22.3	708,927	14.4
Total	3,336,222	100.0	4,728,922	100.0	7,168,106	100.0	3,154,820	100.0	4,922,060	100.0

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

Our automobile manufacturer partners set annual non-binding sales targets for each of our dealership stores and review its performance from time to time, usually on a quarterly basis. Achievement of these targets will be taken into account of when the relevant automobile manufacturer subsequently assesses the dealership store's performance and decides the allocation of new automobiles for future sales. All of our 4S dealership stores met their sales targets set by our automobile manufacturer partners during the Track Record Period. The retail prices of our new automobiles are determined with reference to the manufacturers' wholesale prices and retail pricing guidelines, which do not typically set specific retail prices. We retain some flexibility in determining the retail prices of our new automobiles, which are influenced by a number of factors, including brand and model, market demand, inventory supply and presence of competing dealerships. During the Track Record Period, we complied with the retail pricing guidelines set by our automobile manufacturer partners.

As a complimentary service to our customers and to promote sales of new automobiles, our dealership stores assist customers who wish to trade-in their used automobiles by referring them to third parties who offer such trade-in services. We do not purchase or otherwise offer any credit to our customers for their used automobiles.

AFTER-SALES SERVICES

Our after-sales business includes the provision of maintenance, repair and vehicle customization services, related sales of auto parts, and sales of accessories and other automobile related products. All of our 4S dealership stores have well-equipped vehicle repair and maintenance facilities and comfortable waiting lounges that offer complimentary refreshments and free Internet access. We offer a broad range of maintenance and repair services from routine oil changes to post-collision body restoration.

We believe our capability of delivering high quality repair and maintenance services to our customers in a quick and convenient manner contributes to our success in retaining customers and attracting new customers. Technical expertise and high service quality in the provision of after-sales services are critical for 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 service business. To enhance their customer service skills and sales techniques, our after-sales technical personnel undergo regular training programs designed based on our customer service-oriented and sales-focused philosophy as well as training programs offered by the automobile manufacturers.

Our maintenance and repair services are generally charged based on the prices of the spare parts (if any) used and the hourly rates of our technicians, which are all determined by reference to automobile manufacturers' pricing guidelines. The number and composition of personnel assigned to each job, and their expertise and experience, differ according to the nature and complexity of the particular job. To maintain the quality of our services, experienced technicians inspect each service job upon completion and our store managers regularly conduct random inspections by calling our customers to gauge their degree of satisfaction with our services. Each of our 4S dealership stores uses a proprietary software system provided by the relevant automobile manufacturer to record, track and analyze the manpower and spare parts used in the after-sales service jobs undertaken by them. Our after-sales services capabilities are further enhanced through the use of our information technology systems that collect and analyze detailed customer information and provide other support to our sales personnel. In 2010, two of our BMW stores were ranked 1st and 3rd, respectively, in BMW's list of its 10 best dealership stores nationwide for after-sales business. One of our Buick stores in Shanghai was accredited by Shanghai GM as a five-star authorized service center for sales in 2008, 2009 and 2010 and for after-sales services in 2006, 2009 and 2010, an award that is awarded only to the top 10% of its dealerships in terms of overall performance for sales and after-sales, respectively.

To make our services more convenient for customers, we are working to shorten turnaround times for different maintenance and repair jobs. To accommodate the busy schedules of our customers, we offer prescheduled maintenance appointments, priority appointments for VIP customers, guaranteed turnaround times, and same-day express repair services across our network. We also offer 24-hour towing services and assist customers who wish to rent temporary replacement automobiles. To further expand our after-sales service capacity and meet increasing customer demand, we opened a BMW authorized repair center in Shanghai in 2010.

Maintenance Services

Automobiles require periodic maintenance, and recurring automobile maintenance is an ongoing revenue stream for us. Automobile manufacturers vary in their recommendation of how frequently owners should schedule maintenance, generally once every three to six months or 5,000 to 10,000 kilometres. A typical maintenance service check generally includes routine vehicle inspection and oil change, and may include replacements of air filter, spark plugs, brake pads, and other parts as well as tire rotation and other adjustments. We send periodic reminders to owners to schedule subsequent maintenance checks.

Repair Services

Our 4S dealership stores provide a full range of vehicle repair services, including major repairs to drive-train mechanisms and post-collision body restoration. Automobile manufacturers generally offer new automobile customers warranty coverage for certain types of repairs. The terms of such warranties vary among different automobile manufacturers but are generally limited to repairs caused by defects in spare parts or workmanship that occur during the first 24 to 36 months of vehicle ownership within the first 20,000 to 30,000 kilometers driven. Automobile manufacturers generally do not conduct warranty repair services themselves.

We are not required to provide any warranty with respect to the automobiles and other products that we sell. We are paid by automobile manufacturers for the in-warranty repair services that we perform and the automobile manufacturers bear the costs of the related spare parts. Our costs relating to in-warranty repair services that we perform are generally reimbursed by automobile manufacturers within two to three months, and we have been reimbursed by the relevant automobile manufacturers for all such costs during the Track Record Period. Customers must pay for out-of-warranty repairs, which are charged according to the spare parts and manpower required for the repairs. 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 one of our 4S dealership stores for repairs, our qualified personnel prepares a form describing the job request, which is countersigned by the customer. Upon completion of the repair job, the customer signs another form confirming the work undertaken and any spare parts used. The relevant information is recorded in our system using a proprietary software provided by the relevant automobile manufacturer, which records, tracks and analyzes the manpower and spare parts used to perform the job. Our reimbursement claims for in-warranty repair jobs are recorded and submitted to the relevant automobile manufacturers through this software system. We are usually reimbursed for such claims within two to three months of the submission for payment and our accounting department at our stores and at our headquarters monitor the status of submitted claims to ensure that they are settled on a timely basis. The total amount of reimbursement received by us from automobile manufacturers in relation to in-warranty repair services and product recalls was RMB37.7 million, RMB46.1 million, RMB53.9 million and RMB29.0 million in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Such amounts included reimbursement for the in-warranty repair jobs, services rendered in connection with any automobile recalls and other services.

Under applicable PRC laws, we are required to provide a service warranty for the repair services that we perform. Under the relevant PRC laws and regulations, automobile repairs are divided into several categories and the mandatory warranty period for each repair varies from the shorter of 10 days and 2,000 kilometres (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometres (in the case of major repairs). The warranty period commences from the date the automobile leaves the store. The after-sales departments of our stores monitor the status of the claims made by our after-sales service customers against us to ensure that provisions (if any) are made therefor as necessary. Over the Track Record Period, such warranty claims made by our after-sales service customers were of immaterial amounts and, accordingly, no provision has been made with respect to such warranty claims.

Sale of Automobile Accessories and Related Products

Our dealership stores offer spare parts as part of our repair and maintenance services. All of our spare parts are procured from the original automobile manufacturers. We also retail automobile accessories and other automobile-related products, such as motor oil, additives, GPS navigation devices and original brand merchandise, such as travel cases, toy car models and clothing.

Automobile Recalls

Our dealership stores also assist automobile manufacturers in handling automobile recalls by distributing information to vehicle owners and making remedial repairs. Recall procedures vary with automobile manufacturer. 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 the notice, we typically contact our customers who may be affected and ask them to bring their vehicles into our dealership stores for remedies in accordance with the automobile manufacturers' instructions. The automobile manufacturers generally do not impose a time limit within which the affected customers must bring their vehicles to dealership stores for repairs. In addition to servicing recalled vehicles we sell, we service recalled vehicles sold by other dealers. We also make remedial repairs to recalled vehicles still in our inventory, if any, prior to their sale. During the Track Record Period, we were compensated by the automobile manufacturers for the repair services which we performed in conjunction with their vehicle recalls. All the automobiles sales and after-sales services (including those related to automobile recalls) provided by us are conducted in accordance with the dealership authorization agreements with our automobile manufacturer partners. We have not participated in any automobile recalls by an automobile manufacturer that we have not entered into any dealership agreements with. Our costs relating to product recalls are generally reimbursed by automobile manufacturers within two to three months, and we have been reimbursed by the relevant automobile manufacturers for all such costs during the Track Record Period. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that we are not liable under PRC laws and regulations for the cost associated with vehicle recalls. None of the automobile recalls which we have been involved in to date have involved any personal injury claims against us by the affected customers. During the Track Record Period, we had received in ordinary course customer complaints in connection with certain automobile recalls. None of these complaints had a material adverse effect on our business and operations, and we were not subject to any legal, regulatory or administrative proceedings related to any automobile recalls. See "Risk Factors—Risks Relating to Our Business—Any automobile recall could have a negative impact on our results of operations, financial condition and growth prospects" and "Regulatory Overview—Automobile Recalls".

A number of our dealership authorization agreements provide that the relevant automobile manufacturer bears responsibility for any defects in the design or production of their automobiles, while our dealership stores bear responsibility for any defects caused by them while the automobile was in their possession. We have been advised by our PRC legal advisors, Jingtian & Gongcheng, that the product liability for automobiles sold in China is governed by mandatory provisions of PRC laws and regulations. Under the Product Quality Law (產品質量法), any consumer who purchased a defective product may seek compensation from either the manufacturer or the retailer. The retailer may seek reimbursement from the manufacturer where the defect is attributable to the manufacturer unless any agreement between the manufacturer and the retailer provides otherwise. See "Regulatory Overview—Product Quality" for additional information.

The following table sets forth certain recalls that affected vehicles we sold from the beginning of the Track Record Period to the Latest Practicable Date.

Brand	Model	Affected Component	Recall Date
Luxury and Ultra-luxury Brand			
BMW	selected models of 2009–2010 5-Series GT, 2008–2010 7-Series, 2008–2010 X5, 2008–2010 X6	electronic pump	November 2011
BMW	2007–2008 X5	gasoline pump	November 2010
BMW	selected models of 2004–2010 5-Series, 2004–2010 6-Series, 2002–2008 7-Series	brake boost vacuum tube	October 2010
BMW	2010 5-Series GT	fuel level sending unit	August 2010
BMW	2009 520Li/530Li	brake master cylinder	November 2009
BMW	selected models of 2008 1-, 2008 3-Series	airbag wiring loom	July 2009
BMW	selected models of 2009 7-Series	oil tank	June 2009
Jaguar	2010 XK, 2010 XF	steering oil pipe	June 2011
Jaguar	2010/2011 XJ	fixing of wiper arm	November 2010
Audi	2009 TT	transmission software update	October 2009
Audi	2001–2006 A4, A6/A6L	ignition coil	May 2008
Audi	2002–2005 A6	oil tank	May 2008
Mid-to-Upper Market Brand			
Buick	New Regal, new LaCrosse	oil inlet pipe	February 2011
Buick	2009–2010 Enclave	seat lining panel	August 2010
Buick	New Excelle	skylight glass	April 2009
Chevrolet	selected models of 2010 Aveo	Rear wheel axle	June 2011
Chevrolet	selected models of 2008 Captiva	steering system	March 2010
Chevrolet	selected models of 2008 Aveo	gasoline pump	May 2009
Toyota (GAC)	Camry, Yaris	power window switch	August 2009
Toyota (GAC)	Camry	brake vacuum booster	April 2009
Toyota (GAC)	2008 Yaris	torsion of hand-operated gearshift control shaft and screw nut on gearshift lever	November 2008
Toyota (FAW)	Corolla Ex	engine control unit	August 2011
Toyota (FAW)	Crown, Reiz	brake fluid pumps	November 2010
Toyota (FAW)	Crown, Reiz	rear brake caliper	October 2010
Toyota (FAW)	2009 RAV4	accelerator pedal	February 2010
Toyota (FAW)	Vios, Corolla	power window switch	August 2009
Toyota (FAW)	Land Cruiser	front supplemental restraint system airbag	June 2009
Toyota (FAW)	Crown, Reiz	EPS electric power steering	December 2008
Toyota (FAW)	Corolla Ex, Vios, Corolla	torsion of hand-operated gearshift control shaft and screw nut on gearshift lever	November 2008
Honda (GAC)	2005–2008 Fit 2006–2007 City	power window switch	September 2011
Honda (GAC)	2005–2010 Accord 2.0/2.4L, 2005–2009 Odyssey	software for electronic control unit	August 2011
Honda (GAC)	selected models of 2009–2010 Fit/City	lost motion spring	February 2011
Honda (GAC)	selected models of 2009–2010 Odyssey	power steering fluid hose	June 2010
Honda (GAC)	selected models of 2009 Accord	passenger side front airbag	September 2009
Honda (GAC)	selected models of 2005/2007/2008 City	rear wheel brake	October 2008
Volkswagen (FAW)	2009 Magotan	program of transmission control unit	October 2009
Volkswagen (FAW)	2009 New Bora	engine bonnet lock	April 2009
Hyundai	Selected models of Moinca	water temperature sensor	June 2011
Hyundai	Avante, Elantra, Tucson, Moinca and Verna sold in January 2008	kumho tire	April 2011
Hyundai	Ix35	power window unit	April 2010
Hyundai	Sonata	carbon tank filter	February 2008

Brand	Model	Affected Component	Recall Date
Nissan	selected models of 2004–2006 TIIDA, 2006 Sylphy	engine ignition	November 2010
Nissan	selected models of 2006–2008 Qashqai, Sylphy	CVT	May 2010
Nissan	selected models of 2008 Qashqai, 2009 X-trial	steering machine	October 2009
Nissan	selected models of 2010 Teana	screw nut	August 2010
Nissan	selected models of 2004–2008 Teana	engine air pipes	June 2009
Nissan	selected models of 2006 Sunny	cantilever	March 2009
Nissan	selected models of 2007 Teana	muffler	March 2008

OTHER SERVICES

Automobile Agency Services

In connection with automobile sales, our 4S dealership stores also provide automobile agency services that help buyers obtain insurance and vehicle title registration for their new purchases. We have agency arrangements with insurance companies to offer their insurance products to our customers. All of these insurance companies are Independent Third Parties. We receive a commission for the insurance policies sold through our dealership stores. In 2008, 2009, 2010 and the six months ended June 30, 2011, we recorded commission income of RMB7.1 million, RMB16.8 million, RMB21.5 million and RMB24.5 million, respectively. We also provide assistance to our customers with services in relation to completion and submission of new automobile registrations and payment of related taxes or charges in exchange for a service fee.

Surveys

We use customer surveys both to collect feedback to improve our own customer service and to provide market information to the automobile manufacturers. Our large base of end user customers allows us to provide valuable customer feedback and market information to our automobile manufacturer partners. Some manufacturers provide their own form questionnaires for the surveys. Customer feedback is reviewed and, where appropriate, forwarded to supervisors of the relevant department for action. Surveys prescribed by the automobile manufacturers are stored in databases to which they have access. Some of our 4S dealership stores also file periodic market condition reports to the automobile manufacturers with information about trends in sales, market conditions and customer preferences.

SALES AND MARKETING

Our marketing, sales, after-sales and customer relationship management teams collaborate to develop customer profiles for our different brands and models of automobiles, study trends in customer preferences and direct marketing efforts to reach our targeted customer demographic.

We maintain databases on potential customers, which we utilize to identify sales prospects. We also rely on referrals from our customers. Our sales and marketing campaigns include personalized telephone, email and mail communications and invitations to promotional events at our dealership stores.

We advertise through various media channels including radio, magazines, newspaper, Internet, billboard, and elevator advertisement. We also participate in the automobile manufacturers' marketing campaigns including new model launches, sponsorships, automobile fan club activities and other promotional events. Our sales initiatives include gifts, discounts and complementary service packages.

In 2008, 2009, 2010 and the six months ended June 30, 2011, we recorded advertisement and business promotion expenses of RMB13.0 million, RMB22.9 million, RMB37.5 million and RMB32.2 million, respectively.

CUSTOMERS

We attach great importance to cultivating long-term customer relationships and delivering high quality services. Our sales and marketing initiatives primarily target high net worth or high income customers. Based on our experience, we believe that these customers tend to require premium products and services, are less price sensitive and show greater brand loyalty. We maintain records of our customers' profiles including their maintenance and repair history, which we use to schedule calls, conduct surveys and send service reminders.

Our customers are required to pay a deposit, typically 2% to 10% of the retail price, when they place their orders, and the balance due must be settled in cash or secured by an approved automobile financing loan before the automobile is collected by or delivered to the customer. It usually takes a customer two to three weeks after all the required documents have been provided to the financing provider to its satisfaction to obtain the automobile financing loan. We do not offer any credit to our customers for automobile purchases. We, however, generally provide a credit term of two to three months to automobile manufacturers for the reimbursement of our costs relating to the in-warranty repair services that we perform. Customers must pay for out-of-warranty repairs, which are charged based on the spare parts and manpower required for the repairs. In the event that out-of-warranty repair costs are expected to be covered by a valid insurance policy held by a customer, we generally do not require payment from such customer and will instead seek reimbursement directly from the relevant insurance company and such reimbursement claims are usually settled within two to three months. We do not provide any credit term for out-of-warranty repairs that are not covered by insurance. The time required before we can deliver the automobile to the customer typically ranges from one to three weeks to, in extreme cases, four months depending on a number of factors, including primarily the current inventory level of the relevant dealership store and the availability of the specific model. We are fully compensated by the relevant automobile manufacturers for product returns. During the Track Record Period, we did not experience any significant product returns from our customers. Our top five customers 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 current shareholders with over 5% of share capital has any interest in any of our top five customers which is required to be disclosed under the Listing Rules.

SUPPLIERS AND PROCUREMENT

We buy new automobiles and spare parts directly from automobile manufacturers. The automobile manufacturers set annual non-binding sales targets and service standards, measured in terms of customer satisfaction rates, for each of their authorized dealership stores. Achievement of these targets will be taken into account of when the relevant automobile manufacturer subsequently assesses the dealership store's performance and decides the allocation of new automobiles for future sales. All of our 4S dealership stores met their sales and service targets set by our automobile manufacturer partners during the Track Record Period. We are required to prepay for the automobiles and spare parts that we order in cash or cash equivalents and to take ownership of new automobile and parts upon shipment or delivery. In 2008, 2009, 2010 and the six months ended June 30, 2011, our new automobiles procurement costs were approximately RMB3,275.2 million, RMB4,542.8 million, RMB7,048.7 million and RMB5,303.0 million, respectively. During the Track Record Period, all the payments for our purchases of new

automobiles and spare parts from automobile manufacturers were made in Renminbi, and our business and financial performance had not been materially adversely affected by the fluctuations in the exchange rates of Renminbi. In 2008, 2009, 2010 and the six months ended June 30, 2011, we purchased from automobile manufacturers new automobiles totaling 13,950 units, 17,160 units, 22,993 units and 14,575 units respectively.

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 custom duties or tariffs for our automobiles. The lead time required for delivery of the new automobiles we sell ranges from two to three weeks to, in extreme cases, four months, depending on whether the automobiles are manufactured in China or overseas.

Our top five suppliers are all automobile manufacturers that supply new automobiles and spare parts. In 2008, 2009, 2010 and the six months ended June 30, 2011, purchases from our top five suppliers accounted for approximately 82.9%, 88.2%, 91.4% and 93.6% of our total purchases, respectively, and purchases from our top supplier accounted for approximately 23.0%, 35.5%, 46.9% and 47.7%, respectively, of our total purchases.

All of our top five suppliers are Independent Third Parties. None of our Directors, their associates or any current Shareholders with over 5% of share capital has any interest in any of our top five suppliers which is required to be disclosed under the Listing Rules.

INVENTORY MANAGEMENT

We monitor our inventories of new automobiles and spare parts at each of our 4S dealership stores to ensure cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels of new automobiles and spare parts to meet customer demand while managing our working capital requirements to finance our inventory. Our 4S dealership stores generally order their inventory on a monthly basis and plan their inventory purchases for each month based on an annual non-binding sales target set by the relevant automobile manufacturer at the start of each year. The monthly purchases made by each store is adjusted by taking into account its existing inventory levels, expected customer demand, projected sales trends and expected delivery times for different automobile models.

To manage our inventory levels, the general manager and the sales manager of each 4S dealership store review the sales and inventory levels of their store on a daily basis to ensure that sales of different automobile models are meeting our expectations. Our centralized inventory management system provides up-to-date information to our headquarters in Shanghai regarding the sales and inventory levels of different automobile models at different 4S dealership stores on a daily basis and enables our management team to supervise and work with individual stores to manage their sales and inventory levels. To accelerate sales of slower moving inventory, individual 4S dealership stores may launch targeted promotional activities for particular automobile models from time to time. Our sales and marketing teams may also coordinate with our dealership stores to develop advertising and sales campaigns for these particular automobile models. Our sales initiatives include offering gifts, complimentary maintenance service packages and vehicle customization services. We also have the flexibility, subject to certain restrictions by the automobile manufacturers, to adjust inventories across our dealership network, such as the transfer of automobiles from one dealership store to another in response to market demand.

We purchase inventory of new automobiles using a combination of cash and bank acceptance notes, which are recorded as bills payable in our combined financial statements. These bank acceptance notes are generally secured by bank deposits and inventories and are repaid with cash received from customers for their purchases of new automobiles from us. As of June 30, 2011, we had bills payables of RMB1,199.5 million, pledged bank deposits of RMB496.8 million and inventories of RMB1,515.2 million. Upon the repayment of such bank acceptance notes, the pledged deposits are released and can be used to secure new bank acceptance notes. If we are unable to generate sufficient sales from our existing inventory of new automobiles to repay our bank acceptance notes within the applicable credit term, which is typically two to three months, we will be required to repay the notes from other cash resources. This could adversely affect our working capital and our ability to acquire new inventory. We may incur additional financing costs as a result of the new borrowings. Our average inventory turnover days was 35.6 days, 30.1 days and 30.1 days in 2008, 2009 and 2010, respectively. Our average inventory turnover days was 43.7 days in the six months ended June 30, 2011. During the Track Record Period, our inventory turnover days were generally shorter than the credit term of our bank acceptance notes and we did not experience any difficulty in repaying our bank acceptance notes with payments from customers for sales of new automobiles.

We aim to maintain a reasonable level of inventory of automobiles, spare parts and automobile accessories at our dealership stores to timely respond to customer demand. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs. If we understock inventory, we may not be able to satisfy demand of our customers, which may cause us to forgo revenue and adversely affect our reputation. See ''Risk Factors—Risks Related to Our Business—Our business and financial performance depend on our ability to manage our inventory effectively''. See ''Financial Information—Inventory'' and ''Financial Information—Trade and Bills Payables''.

INFORMATION TECHNOLOGY

We are in the process of implementing an ERP system that is designed to provide us with real-time access to key performance indicators and monitor our cash flows and accounts as well as human resources and other management functions. Our new ERP system is designed to collect and analyze data about potential and existing customers and their vehicles. We intend to further develop our centralized IT system to assume other business functions including customer data processing and online employee training. In addition, we periodically upgrade other hardware and software components of our IT system to improve the productivity of our personnel and our performance.

We maintain interactive websites that provide information about our products, services, stores and new developments. Customers can provide feedback and schedule maintenance for their vehicles.

COMPETITION

The automobile dealership industry in China is competitive and highly fragmented. We compete against other dealership groups, including those selling the same brands of automobiles as our dealership stores, for dealership authorization rights, for prime store locations capital to finance expansion and inventory, customers of automobiles and after-sales service and skilled employees. We also compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. Our dealership business is also affected by competition among the automobile manufacturers and their brands in terms of quality, design and price.

As a leading luxury automobile dealership group in China with a proven track record of establishing new stores and quickly ramp-up the sales of the new stores, we believe we are well positioned to take advantage of opportunities derived from the growing China luxury and ultra-luxury passenger vehicle market and strengthen our leading position.

PROPERTIES

As of the Latest Practicable Date, we owned six properties and leased 42 properties in the PRC. For further details about our owned and leased properties for our operations, please refer to the property valuation report prepared by Savills Valuation and Professional Services Limited as set out in Appendix IV in this prospectus.

Properties We Own

As of the Latest Practicable Date, we owned six properties in the PRC with an aggregate site area of approximately 49,215.7 square meters. We have obtained all the relevant Title Certificates for these properties. These six properties are located in Suzhou, Changshu, Ningbo, Yangzhou, Hangzhou and Taizhou, respectively. See "Valuation Certificate—Group I—Property interest held by the Group for owner occupation in the PRC", "Valuation Certificate—Group II—Property interests held by the Group under development in the PRC", and "Valuation Certificate—Group III—Property interests held by the Group for future development in the PRC" of Appendix IV to this prospectus for additional information.

Property to be Acquired

As of the Latest Practicable Date, we are in the process of acquiring a property with an aggregate site area of approximately 7,232 square meters in Fuyang, Zhejiang province for RMB36.8 million for the purpose of operating a 4S dealership store in the future. We have signed a land use rights transfer agreement with the local land authorities and have paid a deposit of RMB12.7 million in respect of such property. The balance will be paid using our internal resources and will not be paid using the net proceeds of the Global Offering. Jingtian & Gongcheng, our PRC legal advisors, are of the view that we will have no legal impediment in obtaining the relevant Title Certificate for this property upon full settlement of the consideration for land grant. As of the Latest Practicable Date, we did not operate any 4S dealership store on that property.

Properties We Lease

As of the Latest Practicable Date, we leased 42 properties with an aggregate GFA of approximately 82,240.2 square meters for the building portion and an aggregate site area of approximately 166,254.3 square meters for the land portion, among which:

- For three properties with an aggregate GFA of approximately 11,299.0 square meters, accounting for 13.7% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 800.0 square meters, accounting for 0.5% of the aggregate site area of our leased land, on which we operated three 4S dealership stores as of the Latest Practicable Date, the landlords have not obtained the relevant Title Certificates. These properties are located in Wuxi, Jiangsu province, Dandong, Liaoning province and Shanghai respectively.

- For three properties with an aggregate GFA of approximately 412.0 square meters, accounting for 0.5% of the aggregate GFA of our leased buildings and an aggregate site area of approximately 23,550.0 square meters, accounting for 14.2% of the aggregate site area of our leased land, we operated four 4S dealership stores and one repair center on such land as of the Latest Practicable Date, which was not in compliance with its designated usage. Two of these properties are located in Shanghai and the other property is located in Qingdao, Shandong province. According to PRC laws, rules and regulations, the State implements a land usage management system, and designated land usages shall be strictly complied with by relevant entities and individuals. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that the lease agreement in connection with the land may be invalidated if it is challenged for the usage non-compliance. As such, our business and operations on the land may be adversely affected.

- Four properties with an aggregate GFA of approximately 10,643.0 square meters, accounting for 12.9% of the aggregate GFA of our leased buildings, and an aggregate site area of approximately 30,761.0 square meters, accounting for 18.5% of the aggregate site area of our leased land, are collectively-owned land and are not permitted to be leased to others for non-agricultural or commercial purposes under applicable PRC laws, rules and regulations. We operated four 4S dealership stores on these properties as of the Latest Practicable Date. Three of these properties are located in the Minhang District of Shanghai, and one property is located in the Xiaoshan District of Hangzhou, Zhejiang province. Hangzhou Urban Planning Bureau Xiaoshan Branch (杭州市規劃局蕭山規劃分局) and Shanghai Minhang District Planning and Land Administration (上海市閔行區規劃和土地管理局) have confirmed that we can operate our stores on these properties. Our PRC legal advisors, Jingtian & Gongcheng, are of the view that both authorities are competent authorities to make such confirmations, and our ability to use these four properties will not be adversely affected.

Revenues derived during the three years ended December 31, 2010 and the six months ended June 30, 2011 from the 11 4S dealership stores and one repair center located on our leased properties with defective title are set out as follows:

	For the Year Ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	1,533,475	2,159,525	3,330,729	2,011,954
Percentage of total revenue (%)	41.4%	41.8%	43.2%	38.4%

Revenues derived during the three years ended December 31, 2010 and the six months ended June 30, 2011 from the four 4S dealership stores located on the four properties for which we have obtained confirmation from the relevant government authorities to operate dealership stores thereon are set out as follows:

	For the Year Ended December 31,			Six months Ended June 30,
	2008	2009	2010	2011
Revenue (RMB'000)	983,360	1,536,528	2,295,519	1,366,631
Percentage of total revenue (%)	26.6%	29.8%	29.7%	26.1%

The aforementioned properties with defects in title (whether owned or leased) comprise primarily 4S dealership stores, warehouses and ancillary structures. Our Directors are of the view that such properties are not crucial to our operations since: (i) we have the Title Certificates for or the right to use the majority of both our owned and leased properties; (ii) for the operation of 4S dealership stores in the automobile dealership business, such factors as brand portfolio, relationships with automobile manufacturers, design and layouts of stores, types of services offered, quality of services provided, management, etc., are of greater importance in attracting customers and generating revenue for the Group than the premises on which our 4S dealership stores are located; (iii) we can readily find comparable properties to relocate our business if necessary; (iv) for the one property on collectively-owned land located in Hangzhou, Zhejiang province with GFA of 5,000.0 square meters and site area of 16,008.0 square meters, we have already obtained the land use rights for another property in Hangzhou with site area of 5,176.0 square meters and will be able to relocate our 4S dealership store to the new site; and (v) the long-term lease arrangements in respect of the properties that we lease would give us the exclusive use of the premises during the terms of the relevant leases.

Based on information currently available to us, we estimate that the total cost and expenses for relocating our businesses which are located on properties with defective titles should not exceed RMB10 million, and the relocation of a 4S dealership store will generally require two to three weeks. We do not expect any such relocation process and the related costs to have a material adverse effect on our business or operations.

Each of our Controlling Shareholders has agreed to indemnify us against any costs, expenses and losses to our operations or business (including but without limitation to penalties and fines imposed by the relevant PRC authorities) arising from the relocation of business or assets from any property with defects in title. For more details of the deed of indemnity, please see the paragraph entitled "Statutory and General Information—Further Information About our Business—Summary of Material Contracts" in Appendix VI to this prospectus. Please also see "Appendix IV—Property Valuation" to this prospectus for details of our properties and the paragraph entitled "Risk Factors—Risks Relating to Our Business—We have not yet obtained valid titles or rights to use certain properties or the required permits for construction and development on certain properties occupied by us" in this prospectus for details of the risks associated with properties affected by defects in title.

When selecting a new store venue, we takes into account a broad range of factors, including convenience and ease of access, traffic flow and parking availability. Some of our preferred venues may have defects in their titles. To protect our interests in future properties, we will systemically review the store venue as part of our new store opening plan and make our best efforts to comply with relevant rules and regulations. We also plan to seek professional legal advice when to determine if the land use rights held by the potential seller or landlord are subject to any defects or third party rights and make decision on an informed basis.

INSURANCE

We carry insurance covering risks including loss and theft of and damage to property such as our fixed assets and inventories in our dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes. 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 coverage of any business interruption insurance in China. We consider our insurance coverage to be adequate and in line with industry practices in China. However, significant uninsured damage to any of our properties, inventory or other

assets, whether as a result of fire or other causes, could have a material and adverse effect on our results of operations. See the section headed "Risk Factors—Risks Relating to Our Business—Our insurance coverage may be inadequate to protect us from certain types of losses" in this prospectus.

EMPLOYEES

We view our employees as critical to our success. We dedicate significant resources to personnel recruiting, training and promotion. Over the Track Record Period, our staff has doubled to meet the requirements of our growing 4S dealership store network and business operations.

As of September 30, 2011, we employed a total of 2,407 full-time staff.

Job Function	Number of Employees	Percentage of Total (%)
Management	81	3.4
Administrative	228	9.5
Sales and marketing	704	29.2
After-sales service	1,239	51.5
Finance and accounting	155	6.4
Total	2,407	100.0

We place significant emphasis on internal promotion as a means of offering long-term career paths and performance incentive for our employees. To incentivize them, we offer our sales, marketing and after-sales personnel performance bonuses based on their sales or revenue contribution and take into account of their technical skills and other aspects of their performance based on their nature of work. These performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and compensation.

Our external recruiting channels include the Internet, media advertisement, job fairs, on-campus outreach at colleges and vocational schools and recruiting firms.

Our employees regularly attend training courses to improve their skill set and professional knowledge and stay current on new developments. In addition to the training courses offered by our automobile manufacturer partners, we also develop and innovate our own employee training programs. We employ dedicated trainers who participate in the training programs provided by our manufacturer partners and operate regular training programs at our stores. To leverage the accumulated operational expertise and know-how in our network, we frequently apprentice new recruits to our best performing dealership stores for training before rotating them to stores in other locations. In addition, as we have a diversified portfolio of automobile brands, we are able to offer our employees opportunities to work both with different automobile brands as well as in different areas in China, which we believe contributes to our employee retention rates.

We plan to open a dedicated training institute in Changshu, Jiangsu province by December 31, 2011. This training institute will be located adjacent to our 4S dealership store in Changshu and be equipped with its own campus, after-sales service facilities, classrooms and boarding facilities and will

over time provide training courses for all levels of our employees in different fields, including technical skills and product knowledge, customer services, sales and communications skills and management skills.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

There are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period, our legal proceedings and third party disputes mostly comprised disputes with our customers relating to their non-payment or disagreements regarding the features of the automobiles ordered by them and disputes with or involving our employees or ex-employees regarding a variety of matters, including the circumstances of their dismissal and personal injury claims. During the Track Record Period, the aggregate amount involved in disputes with our customers relating to non-payment did not exceed RMB200,000 per annum. Substantially all of these proceedings and disputes have been settled and, in the view of our Directors, none of these proceedings and disputes had or could have a material adverse effect on our financial condition or results of operations. In March 2010, a claim was brought against us by one of our customers alleging that we were negligent in delivering automobiles to an unauthorized individual in reliance upon forged documents. The amount of the claim against us is RMB1.51 million. In July 2011, the relevant PRC appeal court found that we had exercised due care under the circumstances and issued a final judgment that we should not be liable for the loss suffered by the plaintiff. The plaintiff has lodged an application for a retrial of this case with a higher court. As of the Latest Practicable Date, the higher court had not made any decision as to whether to allow the retrial to proceed nor had any date been set for a retrial. Based on our assessment of the facts and circumstances, we are of the view that the probability of our being liable for the loss suffered by the plaintiff is remote and therefore no provision for this claim is necessary. We do not expect this claim to have a material adverse effect on our financial condition or results of operations.

In the opinion of our PRC legal advisors, during the Track Record Period and to the Latest Practicable Date, we have complied with relevant PRC laws, rules and regulations in all material respects including without limitation the Loans Measures and environmental and work safety laws and regulations, saved as disclosed in this section and the section entitled "Risk Factors". We and all of our subsidiaries have obtained all the licenses, approvals and permits from appropriate regulatory authorities that are material for our business operations in the PRC.

OVERVIEW

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

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

OPERATIONAL INDEPENDENCE

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

MANAGEMENT INDEPENDENCE

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

FINANCIAL INDEPENDENCE

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

SELLING SHAREHOLDER

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

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

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

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

NON-COMPETITION UNDERTAKING

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

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

The above undertaking does not apply where:

(a) the holding by our Controlling Shareholders of interests in the shares of a company where:

(i) the total number of shares held by our Controlling Shareholders does not exceed 5% of the issued shares of the company which is or whose holding company is listed on a recognised stock exchange; or

(ii) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts;

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

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

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

LEASE ARRANGEMENTS WITH A CONNECTED PERSON

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

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

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

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

GENERAL

The Board currently consists of nine Directors, comprising five executive Directors, one non-executive Directors and three 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 of Association.

Executive Director

Mr. YANG Aihua (楊愛華), aged 50, is an executive Director and Chairman of our Group. Mr. Yang has substantial experience in the automobile dealership industry. Mr. Yang founded our Group and has been Chairman of our Group since 1999. Prior to that, he was the chairman of Shanghai Baoxin from 2004 to 2007. From 1999 to 2004, he was chairman of Shanghai Kailong Qimao. Prior to joining our Company, he was a general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. From 1988 to 1995, Mr. Yang had assumed various positions in Shanghai Jinling Trading Company, a state-owned company. Mr. Yang obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang was appointed as executive Director of our Company on November 22, 2011. Mr. Yang Aihua is the brother of Mr. Yang Hansong and Mr. Yang Zehua.

Mr. YANG Hansong (楊漢松), aged 49, is an executive Director and the president of our Group. Mr. Yang has substantial experience in the automobile dealership industry. He has been appointed in 2008 as a director and president of our Group. From 2004 to 2008, he was an executive director of Suzhou Baoxin and from 2002 to 2004 he was the general manager of Shanghai Taipingyang Jinsha. From 1999 to 2002, he was appointed as vice chairman of Shanghai Kailong Qimao. Prior to joining our Group, he worked as a deputy general manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. Mr. Yang Hansong graduated with a bachelor's degree in history at the Jiangxi Normal University in 1983. He obtained an EMBA degree from Dalian University of Technology in 2006. He is currently completing a PhD degree in management studies at Dalian University of Technology. Mr. Yang Hansong was appointed as executive Director of our Company on November 22, 2011. Mr. Yang Hansong is the brother of Mr. Yang Aihua and Mr. Yang Zehua.

Mr. YANG Zehua (楊澤華), aged 39, is an executive Director and a vice president of our Group. Mr. Yang has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Qimao in 1999 as deputy general manager until 2002. Mr. Yang Zehua was appointed general manager of Shanghai Xinlong from 2002 to 2008. He became the general manager of Shanghai Baoxin from 2008 to 2009. Since 2010, he has served as a vice president of our Group. Prior to joining our Group, he worked as a sales manager at 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1999. He has obtained an EMBA degree from Dalian University of Technology in 2006. Mr. Yang Zehua was appointed as executive Director of our Company on November 22, 2011. Mr. Yang Zehua is the brother of Mr. Yang Aihua and Mr. Yang Hansong.

Ms. HUA Xiuzhen (華秀珍), aged 59, is an executive Director and the chief supervisor of our treasury department. Ms. Hua has worked in our Group for over 12 years. She joined our Group in 1999 as finance manager of Shanghai Kailong Qimao until 2004. She has been appointed as the chief supervisor of our treasury department in 2004. Prior to joining the Group, Ms. Hua worked in 國泰機電設備公司 (Guotai Engineering Equipment Company Limited) in its finance department from 1990 to 1999. Ms. Hua was appointed as executive Director of our Company on November 22, 2011.

Mr. ZHAO Hongliang (趙宏良), aged 44, is an executive Director of our Group. Mr. Zhao has substantial experience in the automobile dealership industry. He joined Shanghai Kailong Qimao in 1999 as deputy general manager until 2001. Mr. Zhao was appointed general manager of Shanghai Kailong Qifu from 2002 to 2006. Mr. Zhao was general manager of Suzhou Baoxin from 2006 to 2008. Mr. Zhao was appointed vice president of our Group in 2008 and has since maintained that role. Prior to joining our Group, he was the deputy general manager of 上海華順汽車銷售有限公司 (Shanghai Huashun Automobile Sales Company Limited) from 1995 to 1998. He obtained an MBA degree from the University of Management and Technology (long distance teaching service) in 2005. Mr. Zhao was appointed as executive Director of our Company on November 22, 2011.

Non-executive Director

Mr. ZHANG Yang (張揚), aged 35, is a non-executive Director of our Group. Mr. Zhang has been the chief executive officer of Huakong Industry since 2008. He has been the president of Tsinghua Holdings Capital Investment Management Company Limited since 2006. He has been assistant to the president of Tsinghua Holdings Company Limited since 2005. Mr. Zhang is an associate researcher at the 中國社會科學院金融研究所 (Institute of Banking and Finance of the Chinese Academy of Social Sciences). Mr. Zhang was a director of 遼寧路橋建設總公司 (Liaoning Bridge Construction Company Limited) from 2006 to 2008. He graduated with a bachelor's degree in economics from Nankai University in 1998. Mr. Zhang obtained his PhD degree in economics from the Chinese Academy of Social Sciences in 2006. Mr. Zhang was appointed as a non-executive Director of our Company on November 22, 2011.

Independent Non-executive Directors

Mr. DIAO Jianshen (刁建申), aged 57, is an independent non-executive director of our Group. Mr. Diao has been a vice president of the China Automobile Dealers Association since 2008. He was a director and executive deputy general manager of 華星新世界汽車服務有公司 (Huaxing New World Auto Service Company Limited) from 2002 to 2008. From 1998 to 2002, he was a general manager of 中國汽車貿易華北公司 (China Automobile Trading (North China) Corporation). He graduated from 中共北京市委黨校 (CPC Beijing Municipal Party School) with a major in economic management in 1988 and from the Chinese Academy of Social Sciences with a major in business economics in 1998. Mr. Diao was appointed an independent non-executive director of our Company on November 22, 2011.

Mr. WANG Keyi (汪克夷), aged 67, is an independent non-executive director of our Group. Since 1982, Mr. Wang has been a lecturer and professor at Dalian University of Technology. From 1992 to 1996, Mr. Wang was an assistant to the principal of Dalian University of Technology and was responsible for business management affairs. Mr. Wang has also acted as an independent director of 瓦房店軸承股份有限公司 (Wa Fang Dian Zhou Cheng Stock Company Limited) (Stock Code: 200706), a company whose shares are listed on the Shenzhen Stock Exchange, since 2009. He was also an independent director of 遼寧紅陽能源投資股份有限公司 (Liaoning Hongyang Energy Resource Invest

Co. Ltd.) (Stock Code: 600758), a company whose shares are listed on the Shanghai Stock Exchange, from 2005 to 2011. Mr. Wang graduated with an undergraduate degree in automotive control from the Dalian University of Technology in 1966. He obtained a Master's degree in systems engineering from the Dalian University of Technology in 1982 and then a PhD degree in systems engineering from the same university in 1988. Mr. Wang was appointed an independent non-executive director of our Company on November 22, 2011.

Mr. CHAN Wan Tsun Adrian Alan (陳弘俊), aged 33, is an independent non-executive director of our Group. Mr. Chan has been the chief financial officer of Enviro Energy International Holdings Limited (stock code: 1102), a company whose shares are listed on the Stock Exchange, since 2009. He has over nine years of experience in corporate finance. He was an associate director of UOB Asia (Hong Kong) Limited from 2005 to 2009, mainly responsible for the execution of financial advisory, initial public offering, merger and acquisitions, privatisation and other equity capital market transactions in the Greater China Region and Southeast Asia. He has also previously worked for the equity capital markets department of DBS Asia Capital Limited from 2002 to 2005, the corporate finance department of DBS Vickers Securities (formerly known as Vickers Ballas Holdings Limited) from 2000 to 2001, and as auditor for a top-tier international accounting firm. Mr. Chan graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree in Accounting and Finance in 2000. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Chan was appointed as an independent non-executive director of our Company on November 22, 2011.

Senior Management

Our senior management team, in addition to the Directors listed above, is as follows:

Ms. LIU Tao (劉濤), aged 44, is a vice president of our Group. Ms. Liu has substantial experience in the automobile dealership industry. She joined Shanghai Kailong Qimao in 1999 as a general manager until 2004. Ms. Liu was appointed general manager of Shanghai Baoxin from 2004 to 2007. Since 2008, she has served as a vice president of our Group. Prior to joining the Group, Ms. Liu was the head of the quality management department of 吉林省吉林市糧食局江北國家糧食儲備庫 (Jiangbei Government Grains Reserve of the Jilin Grains Bureau) from 1988 to 1999. She graduated with a bachelor's degree in economics from Jilin University in 1992. Ms. Liu also holds an MBA degree in business management from the China Europe International Business School obtained in 2008.

Mr. ZHU Jieling (朱結嶺), aged 43, is a vice president of our Group. Mr. Zhu has substantial experience in automobile dealership industry. He joined our Group in 2000 as deputy general manager of Shanghai Kailong Qimao until 2004 and has been appointed as a vice president of our Group since 2004. Prior to joining our Group, he worked as deputy head of 廣州天河進口汽車修理廠 (Guangzhou Tianhe Import Automobile Repair Factory) from 1995 to 1999. He was also a trainer at 廣州豐田汽車維修中心 (Guangzhou Toyota Automobile Repair Center) from 1989 to 1995. Mr. Zhu is currently pursuing an EMBA degree from Dalian University of Technology.

Mr. CHEN Changdong (陳長東), aged 50, is the chief financial officer of the Group. Mr. Chen has more than 25 years of experience in finance. He first joined our Group in 2002 as the financial manager of Shanghai Kailong Qimao until 2004. From 2004, he has been appointed as the chief financial officer of our Group ever since. Prior to joining the Group in 2002, he worked at Alstom Shanghai Instrument Transformers Company Limited, a Sino-French joint venture, from 2001 to 2002.

From 1981 to 2000, Mr. Chen worked at 上海電器集團股份有限公司 (Shanghai Electric Group Company Limited) (Stock Code: 02727), a company whose shares are listed on the Hong Kong Stock Exchange, where he assumed various positions. Mr. Chen was also head of the Group's finance bureau, the Group's deputy financial manager and chief accountant of a subsidiary of 上海電器集團股份有限公司 (Shanghai Electric Group Company Limited) (Stock Code: 2727), a company whose shares are listed on the Hong Kong Stock Exchange, from 1981 to 2001. Mr. Chen is an accountant recognised by the Ministry of Finance of the PRC and obtained a diploma from East China Normal University majoring in economic management in 1991.

Ms. ZHOU Qizhu (周其珠), aged 56, is the chief supervisor of our audit department of the Group. Ms. Zhou has substantial experience in audit and finance. She joined our Group in 2004 as chief supervisor of the audit department and has since maintained that role. Prior to joining the Group, she held various positions in 上海愛建股份有限公司 (Shanghai Aijian Corporation) (Stock Code: 600643), a company listed on the Shanghai Stock Exchange from 1993 to 2003. Ms. Zhou is an accountant, economist and a registered tax accountant in China. Ms. Zhou graduated from the Open University of China with a major in accounting in 2004.

Mr. SHI Changchun (時長春), aged 39, is the chief operating officer of the Group. Mr. Shi has more than 13 years of experience in the automobile service industry. He first joined our Group in 2011 as chief operating officer. Prior to joining the Group, he was a deputy general manager of 力天集團有限公司 (Liten Group Company Limited) from 2009 to 2010. Mr. Shi was the general manager of 上海世貿汽車貿易有限公司 (Shanghai Shimao Automobile Trade Co., Ltd.) from 2005 to 2009. From 2003 to 2004, he was a manager of the components department for 聯合開利(上海)空調有限公司 (United Carrier (Shanghai) Air Conditioning Co., Ltd.). From 2001 to 2003, Mr. Shi worked at 福伊特驅動技術(上海)有限公司 (Voith Turbo Power Transmission (Shanghai) Co., Ltd.) as a national sales manager. Prior to that, Mr. Shi worked at 華晨汽車銷售有限公司 (Brilliance Automobile Sales Company Limited) from 1999 to 2001 as an after-sales manager. From 1995 to 1999, he was a technician of motor brigade of the transportation department of 寶山鋼鐵股份有限公司 (Baoshan Iron & Steel Co., Ltd.). Mr. Shi graduated with an undergraduate degree in automotive engineering from Tsinghua University in 1995 and obtained an MBA degree from Fudan University in 2001.

JOINT COMPANY SECRETARIES

Mr. CHEN Changdong (陳長東), please refer to "Directors and Senior Management—Senior Management" for a description of his biography.

Ms. PAU Lai Mei (鮑麗薇), aged 52, is the joint company secretary of our Company and was appointed on November 23, 2011. Ms. Pau has been with the Corporate Services Division of Tricor Services Limited since 2004, a global professional services provider specializing in integrated business, corporate and investor services, and she is currently a director thereof. Ms. Pau is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also the company secretary of Goodbaby International Holdings Limited (Stock Code: 1086), a company whose shares are listed on the Hong Kong Stock Exchange. She has more than 25 years of working experience in the field of corporate secretarial services.

AUDIT COMMITTEE

We have established an 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: three independent non-executive Directors, being Mr. DIAO Jianshen, who will serve as chairman of the committee, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan. 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 a 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: one executive Director, being Mr. Yang Hansong, who will serve as chairman of the committee, and two independent non-executive Directors, being Mr. DIAO Jianshen and Mr. WANG Keyi. 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 a 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 three members: one executive Director, being Mr. Yang Hansong, who will serve as chairman of the committee, and two independent non-executive Directors, being Mr. DIAO Jianshen and Mr. WANG Keyi. 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.

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 for the years ended December 31, 2008, 2009, 2010 and the six months period ended June 30, 2011 were approximately RMB1.7 million, RMB2.4 million, RMB2.9 million and RMB1.6 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of the Group for the years ended December 31, 2008, 2009, 2010 and the six months period ended June 30, 2011 were approximately RMB1.8 million, RMB2.7 million, RMB2.9 million and RMB1.6 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, 2011 to be RMB4.3 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. For further details on the executive Director's compensation, see the section headed "Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts" set forth in Appendix VI to this prospectus.

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 including the Recovery Act.

COMPLIANCE ADVISER

We have appointed CMB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser 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 estimate or other information in this prospectus; and
- where the Hong Kong 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.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will be entitled to exercise or control the exercise of 10% or more of the voting power at general meetings of our Company:

Name of Shareholder	Nature of interest	Number and class of securities[1]	Approximate percentage of interest in our Company immediately after the Global Offering[2]
Baoxin Investment Management Limited[3]	Beneficial owner	1,552,780,000[L] 56,898,000[S]	61.41%
Auspicious Splendid Global Investments Limited	Beneficial owner	266,420,000[L]	10.54%

Notes:

(1) The letter "L" denotes the person's long position in such Shares and "S" denotes the person's short position in the Shares.

(2) Assuming the Over-allotment Option is not exercised.

(3) These Shares will be subject of the Stock Borrowing Agreement and half of the Shares will be sold upon a full exercise of the Over-allotment Option.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, 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 any other member of the Group.

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

	HK$
Authorized share capital	
5,000,000,000 Shares	50,000,000
Issued share capital	
100,000,000 Shares	1,000,000

Immediately After Completion of the Global Offering

	HK$
Shares to be issued under the Capitalization Issue	
2,100,000,000 Shares	21,000,000
Shares to be issued under the Global Offering	
328,740,000 Shares	3,287,400
Total Issued Shares on completion of the Global Offering	
2,528,740,000 Shares	25,287,400

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 currently in issue or to be issued 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 date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) 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;

(c) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(d) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of the share capital of our Company 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

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed "—General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) 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

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information—Further Information About Our Group—Resolutions of Our Shareholders" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public 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).

This general mandate relates only to repurchases made on the Hong Kong 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 the section headed "Statutory and General Information—Further Information About Our Group—Repurchases of Our Own Securities" in Appendix VI 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.

For further details of this general mandate, please see the section headed "Statutory and General Information—Further Information About Our Group—Resolutions of Our Shareholders" in Appendix VI to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted a Share Option Scheme. Details of the principal terms of our Share Option Scheme are summarized in Appendix VI under the section headed "Statutory and General Information—Other Information—Share Option Scheme."

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements included in Appendix I—"Accountants' Report", which has been prepared in accordance with the Hong Kong Financial Reporting Standards, or HKFRS, and Appendix II—"Unaudited Pro Forma Financial Information", in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. 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.

The number of 4S dealership stores referred to in this prospectus includes a jointly-controlled entity whose revenues and sales volume are not included in our combined data. Accordingly, our results of operations, including sales revenues, gross profits and gross profit margins, and operating data, such as sales volumes, discussed in this prospectus do not include corresponding results or data of that jointly-controlled entity.

OVERVIEW

According to Euromonitor, we are a leading luxury 4S dealership group in China in terms of sales volume and number of dealership stores for BMW with a rapidly growing ultra-luxury dealership business. We have a well-established network comprising 28 4S dealership stores (including a jointly-controlled entity) as of September 30, 2011, 18 of which were luxury and ultra-luxury brand stores. As of the Latest Practicable Date, we had received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center, including five stores which we expect to commence operations by December 31, 2011. All of our 4S dealership stores are strategically located in populous and affluent regions in China with rapidly growing economies. Each of our 4S dealerships is designated to sell one brand of automobiles. Our strong brand portfolio includes luxury brands such as BMW, MINI, Audi, and Cadillac, ultra-luxury brands such as Land Rover & Jaguar, and other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai. Sales under our luxury and ultra-luxury brands have contributed to an increasing percentage of our revenue and gross profit from automobile sales over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenue from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profit from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. We believe that our focus on luxury and ultra-luxury brands have enabled us to achieve rapid revenue and profit growth and increasing profit margins over the Track Record Period. We also provide a wide range of after-sales services and products to our customers including repair, maintenance, customization services, spare parts and other automobile related products. We believe that our strong brand portfolio enables us to capture the opportunities in the PRC market.

Since we commenced operation in 1999, we have established a proven track record in building successful, high quality 4S dealership stores. We opened one of the first BMW Brilliance authorized 4S dealership stores in China in 2004 and have since become one of BMW's most important and largest dealerships in China in terms of 2010 sales volume. In 2010, China was the third largest market for BMW, and the fastest growing of its three largest markets, worldwide in terms of sales volume according to BMW's 2010 annual report. Average sales volume per store of our Comparable Stores for

Automobile Sales of luxury and ultra-luxury brands grew by 14.2% from 1,422 units in 2008 to 1,624 units in 2009 and by a further 25.0% to 2,030 units in 2010 and reached 1,000 units for the six months ended June 30, 2011. Average revenue from automobile sales per store of these stores grew by 17.7% from RMB656.0 million in 2008 to RMB771.8 million in 2009 and by a further 26.0% to RMB972.6 million in 2010 and reached RMB491.6 million for the six months ended June 30, 2011. Average revenue from after-sales business per store of our Comparable Stores for After-sales Business in the luxury and ultra-luxury market grew by 20.7% from RMB71.9 million in 2008 to RMB86.8 million in 2009 and by a further 15.1% to RMB99.9 million in 2010 and reached RMB49.9 million for the six months ended June 30, 2011, and the gross profit margin of our Comparable Stores for After-sales Business for luxury and ultra-luxury brands increased from 41.0% in 2008 to 47.6% in 2009 and 48.2% in 2010 and was 47.7% for the six months ended June 30, 2011.

We have rapidly expanded our network since early 2009 by increasing the number of our 4S dealership stores from 13 as of December 31, 2008 to 28 (including a jointly-controlled entity) as of September 30, 2011. As of September 30, 2011, over 40% of our luxury and ultra-luxury 4S dealership stores had been operating for less than one year. As our newer stores continue to ramp up their operations, we expect them to experience higher revenue growth rates than our more established stores and to contribute to an increasing percentage of our revenue and gross profits in 2011 and 2012.

We recorded significant growth in our revenues and profits during the Track Record Period. The following table sets out a breakdown of our revenue for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue										
Revenue from automobile sales										
Luxury and ultra-luxury brands[(1)]	1,994,348	59.8	3,336,666	70.6	5,583,995	77.9	2,451,315	77.7	4,213,133	85.6
Mid-to-upper market brands[(1)]	1,341,874	40.2	1,392,256	29.4	1,584,111	22.1	703,505	22.3	708,927	14.4
Sub-total	3,336,222	100.0	4,728,922	100.0	7,168,106	100.0	3,154,820	100.0	4,922,060	100.0
Revenue from automobile sales	3,336,222	90.1	4,728,922	91.6	7,168,106	92.9	3,154,820	93.0	4,922,060	94.0
Revenue from after-sales business	365,039	9.9	435,808	8.4	548,458	7.1	237,913	7.0	311,268	6.0
Total Revenue	3,701,261	100.0	5,164,730	100.0	7,716,564	100.0	3,392,733	100.0	5,233,328	100.0

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

The following table sets out a breakdown of our gross profits and gross profit margins for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands[(1)]	83,688	4.2	190,567	5.7	375,165	6.7	167,198	6.8	346,728	8.2
Mid-to-upper market brands[(1)]	20,394	1.5	45,070	3.2	52,230	3.3	23,363	3.3	22,929	3.2
Sub-total	104,082	3.1	235,637	5.0	427,395	6.0	190,561	6.0	369,657	7.5
After-Sales Business										
Luxury and ultra-luxury brands[(1)]	88,605	40.9	131,397	47.3	181,459	47.5	77,268	47.5	105,387	47.1
Mid-to-upper market brands[(1)]	63,402	42.8	71,052	45.0	79,144	47.6	34,523	45.8	44,019	50.2
Sub-total	152,007	41.6	202,449	46.5	260,603	47.5	111,791	47.0	149,406	48.0
Total	256,089	6.9	438,086	8.5	687,998	8.9	302,352	8.9	519,063	9.9

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

BASIS OF PRESENTATION

Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group after the Track Record Period on August 4, 2011. See "Our History and Reorganization". The companies now comprising the Group were under the common control of Mr. Yang Aihua both before and after the Reorganization. Accordingly, the financial information of our Group has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or, if later, since the date when the subsidiaries and/or businesses first came under the common control of Mr. Yang Aihua. The combined statements of financial position of our Group as of December 31, 2008, 2009, 2010 and June 30, 2011 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Mr. Yang Aihua's perspective. No adjustments are made as a result of the Reorganization to reflect fair values or to recognize any new assets or liabilities.

All intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand for Luxury and Ultra-luxury Brand Automobiles in the PRC

Our results of operations are affected by the demand for luxury and ultra-luxury automobiles and, to a lesser extent, by the demand for mid-to-upper market brand automobiles in the PRC. The rapid growth of the PRC economy has led to accelerated urbanization, increased living standards and higher per capita disposable income, which have in turn driven demand for automobiles in the PRC. Furthermore, the consumption of more expensive branded lifestyle products, including luxury and ultra-luxury automobiles, have also increased significantly.

Our 4S Dealership Network

Our sales of new automobiles are directly affected by the number, locations, maturity and business performance of our 4S dealership stores. To capture more of the increasing demand for luxury, ultra-luxury and mid-to-upper market automobiles, we have rapidly expanded our 4S dealership network through organic growth during the Track Record Period.

Our 4S dealership stores are strategically located in populous and affluent areas in the PRC with rapidly growing economies. The main regions where we operate, namely, Shanghai, Jiangsu, Zhejiang, Tianjin, Shandong and Liaoning, all ranked top ten in terms of per capita GDP in China in 2010 according to the Economist magazine. Our presence in these areas differentiates us from competitors who operate in less developed regions. We believe that, due in part to their advantageous locations, we are able to achieve high per store sales revenues and our newly-established stores are able to ramp up their sales and generate profit within six to eight months of commencement of operation.

For example, we opened four new luxury brand stores during the first half of 2009 and two new luxury brand stores during the second half of 2010 (excluding Shenyang Xinbaohang, a jointly-controlled entity the revenues and sales volume of which are not included in our combined revenues and sales volume):

- The combined automobile sales revenues of our four stores opened in 2009 grew by 139.7% from RMB1,021.4 million in 2009 to RMB2,448.2 million in 2010 and grew by 30.1% from RMB1,142.0 million for the six months ended June 30, 2010 to RMB1,485.7 million for the same period of 2011, contributing to 21.6%, 34.2% and 30.2% of our revenue from automobile sales for 2009, 2010 and the six months ended June 30, 2011, respectively. The combined revenue from after-sales business of those four stores grew significantly from RMB17.5 million in 2009 to RMB75.8 million in 2010 and grew by 74.1% from RMB29.3 million for the six months ended June 30, 2010 to RMB51.0 million for the same period of 2011, contributing to 4.0%, 13.8% and 16.4% of our revenue from after-sales business for 2009, 2010 and the six months ended June 30, 2011, respectively.

- The combined automobile sales revenues of our two stores opened in 2010 increased from RMB217.9 million in 2010 to RMB441.7 million during the six months ended June 30, 2011 and contributed to 3.0% and 9.0% of our revenue from automobile sales in 2010 and the six months ended June 30, 2011, respectively. The combined revenue from after-sales business

of these two stores grew from RMB1.2 million in 2010 to RMB10.4 million in the six months ended June 30, 2011 and contributed to 0.2% and 3.3% of our revenue from after-sales business in 2010 and for the six months ended June 30, 2011, respectively.

- We opened six new luxury and ultra-luxury brand stores during the six months ended June 30, 2011 (including two stores which opened in May 2011). The combined automobile sales revenue of these six stores were RMB667.9 million for the six months ended June 30, 2011, contributing to 13.6% of our revenue from automobile sales for the six months ended June 30, 2011.

The following table demonstrates the growth in our store network over the Track Record Period:

	As of January 1,	As of December 31,						As of June 30,	
	2008	2008		2009		2010		2011	
Brand	Number of Stores	Number of Stores	Increase	Number of Stores	Increase	Number of Stores	Increase	Number of Stores	Increase
			%		%		%		%
Luxury and ultra-luxury brands[2]	3	3	—	7	133.3	10[1]	42.9	16[1]	60.0
Mid-to-upper market brands[2]	10	10	—	10	—	10	—	10	—
Total	13	13	—	17	30.8	20[1]	17.6	26[1]	30.0

Notes:

(1) Includes a jointly-controlled entity whose revenues and sales volume are not included in our combined data.

(2) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

A substantial majority of our existing and planned stores are located in provincial, sub-provincial and prefectural cities, as opposed to county cities and less developed areas. In addition, our newly-established stores generally start to generate profits within the first six to eight months of commencement of operation and achieve our expected automobile sales levels in their second year of operation. Accordingly, we view the revenues and gross profits from automobile sales of our 4S dealership stores that are located in a provincial, sub-provincial or prefectural city and have been in operation for at least 12 months as a useful measure for evaluating our performance in automobile sales. This measure excludes those of our 4S dealership stores which are located in county cities and less developed areas. As at the Latest Practicable Date, we had only one store (Changshu Baoxin) which falls into this latter category and has been in operation for at least 12 months. See "Definitions" for the definition of the term "Comparable Stores for Automobile Sales" as used in this prospectus.

The after-sales revenues of our newer 4S dealership stores typically achieve our expected levels during their third year of operation as there is usually a time lapse between the automobile purchases and the demand for maintenance and repair services. Accordingly, we view the revenues and gross profits from our after-sales business of our 4S dealership stores that have been in operation for at least 24 months as a useful measure for evaluating the performance of our after-sales business. See "Definitions" for the definition of the term "Comparable Stores for After-sales Business" as used in this prospectus. Due to the timing of our new store openings, Comparable Stores for After-sales Business during the Track Record Period do not include any of the 4S dealership stores opened since January 1, 2009.

We believe that our network expansion during the Track Record Period led to certain synergies which improved our financial performance in recent years. As a result of the increase in the number of our 4S dealership stores, (1) we were able to better manage our automobile inventory by re-allocating automobiles of the same brand among different stores in the same region according to demand, which improved our sales performance, and (2) we were able to aggregate purchases of certain automobile accessories and other products to lower our related purchase costs. We believe that our high operating standards and service quality enable us to maximize the incentive rebates that we receive under prevailing manufacturers' rebate policies.

Product and Service Mix

We offer a diversified portfolio of luxury, ultra-luxury and mid-to-upper market automobile brands, which bear different gross margins. Changes in the mix of automobile brands and automobile models that we sell and the relative contribution of our after-sales business to our revenue affect our gross margins. Our gross profit margin increased from 6.9% in 2008 to 8.5% in 2009, 8.9% in 2010 and 9.9% for the six months ended June 30, 2011. Sales of luxury and ultra-luxury automobiles have accounted for an increasing percentage of our revenue and gross profit over the Track Record Period, accounting for 59.8%, 70.6%, 77.9% and 85.6% of our revenue from automobile sales, and 80.4%, 80.9%, 87.8% and 93.8% of our gross profit from automobile sales, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. As of June 30, 2011, 16 out of 26, or more than 60%, of our 4S dealership stores were dedicated to the sales of luxury and ultra-luxury brands. During the Track Record Period, our sales of luxury and ultra-luxury brand automobiles have resulted in higher gross margins than our sales of mid-to-upper market automobile brands. As a result of our increased sales of luxury brand automobiles during the Track Record Period, our overall profit margins for automobile sales have increased over the same period.

The following table sets out a breakdown of our revenue from the sales of automobiles and the relative percentage contribution of each automobile category for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands[(1)]	1,994,348	59.8	3,336,666	70.6	5,583,995	77.9	2,451,315	77.7	4,213,133	85.6
Mid-to-upper market brands[(1)]	1,341,874	40.2	1,392,256	29.4	1,584,111	22.1	703,505	22.3	708,927	14.4
Total	3,336,222	100.0	4,728,922	100.0	7,168,106	100.0	3,154,820	100.0	4,922,060	100.0

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

The following table sets out a breakdown of our revenue from automobile sales by geography and the relative percentage contribution of each area for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Shanghai	2,486,888	74.5	2,858,510	60.4	3,524,830	49.2	1,572,430	49.8	2,300,541	46.7
Jiangsu	823,129	24.7	963,754	20.4	1,283,984	17.9	577,378	18.3	949,090	19.3
Zhejiang	23,355	0.7	718,548	15.2	1,683,515	23.5	780,307	24.7	1,041,332	21.2
Greater Bohai Rim Economic Region	2,850	0.1	188,110	4.0	675,777	9.4	224,705	7.2	631,097	12.8
Total	3,336,222	100.0	4,728,922	100.0	7,168,106	100.0	3,154,820	100.0	4,922,060	100.0

The following table sets out our gross profits and gross margins for automobile sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2008		2009		2010		2010		2011	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Automobile Sales										
Luxury and ultra-luxury brands[(1)]	83,688	4.2	190,567	5.7	375,165	6.7	167,198	6.8	346,728	8.2
Mid-to-upper market brands[(1)]	20,394	1.5	45,070	3.2	52,230	3.3	23,363	3.3	22,929	3.2
Overall	104,082	3.1	235,637	5.0	427,395	6.0	190,561	6.0	369,657	7.5

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

Our overall profitability and gross margins of our business are also impacted by our product and service mix as the profit margins of our after-sales business are significantly higher than our profit margins for automobile sales. The following table sets out revenue, gross profits and gross margins from our after-sales business for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,					
	2008			2009			2010			2010			2011		
	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin	Revenue	Gross Profit	Gross Margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
After-Sales Business															
Luxury and ultra-luxury brands[(1)]	216,748	88,605	40.9	277,846	131,397	47.3	382,166	181,459	47.5	162,556	77,268	47.5	223,584	105,387	47.1
Mid-to-upper market brands[(1)]	148,291	63,402	42.8	157,962	71,052	45.0	166,292	79,144	47.6	75,357	34,523	45.8	87,684	44,019	50.2
Overall	365,039	152,007	41.6	435,808	202,449	46.5	548,458	260,603	47.5	237,913	111,791	47.0	311,268	149,406	48.0

Notes:

(1) See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles.

Our after-sales business volume in any given year is affected by the number of automobiles sold by us in prior years and the number and relative maturity of newly-established stores in our network at the time. Although revenue from our after-sales business increased over the Track Record Period, the relative contribution of our after-sales business to our revenue decreased slightly over the Track Record Period from 9.9% in 2008 to 7.1% in 2010 and to 6.0% for the six month ended June 30, 2011. This decrease was primarily due to the opening of new stores during the Track Record Period. Our new stores typically require two years to fully ramp up their after-sales business performance due to the demand cycle for repair and maintenance services. We expect our stores that commenced operation in 2009 and 2010 to contribute more to our overall revenue and profitability as their after-sales business continue to ramp up in 2011 and 2012.

Our Automobile Purchase Costs 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 the incentive rebates that they 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 control or influence over their pricing and business strategies. However, our purchase costs of new automobiles are affected by the volume discounts that we receive from automobile manufacturers based on the units of new automobiles that we purchase or sell (depending on the policies of different automobile manufacturers).

In addition, automobile manufacturers typically offer incentive rebates that are generally determined with reference to the units of new automobiles which we purchase or sell, and are further adjusted based on our performance relative to certain targets set by our automobile manufacturer partners, including customer satisfaction ratings and dealership operating standards. We believe that it is common practice in our industry for the automobile manufacturers to determine their own rebate policies and practices and these policies and practices are not subject to negotiation by automobile dealerships. The basis for determining the rebate amounts is made known to us by the relevant automobile manufacturer in advance. Certain adjustments to our incentive rebates are assessed at the end of each quarter or year (depending on the policies of different automobile manufacturers) when the relevant manufacturer is able to assess our performance for the period and accordingly these amounts are not finalized until the end of each quarter or year, as the case may be. From time to time, automobile manufacturers also offer special incentive rebates for particular models of automobiles. These rebate amounts are settled from time to time (typically on a quarterly or annual basis) according to the different business practices of different automobile manufacturers. In 2008, 2009 and 2010, 46.0%, 57.0% and 67.5%, respectively, of our incentive rebates were paid in cash, while the balance was settled by deducting the aggregate purchase price payable by us for subsequent automobile purchase orders. Incentive rebates are accrued at each reporting date based on our actual purchasing amounts, the corresponding rebate rates as agreed with the automobile manufacturers and our management's estimate of relevant factors, including without limitation, meeting certain sales and service targets set by the relevant automobile manufacturers. In 2008, 2009, 2010 and the six months ended June 30, 2011, we recorded rebates of approximately RMB187.3 million, RMB325.7 million, RMB467.1 million and RMB315.6 million, respectively.

Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held by us as inventory on the reporting date are deducted from the carrying value of these automobiles so that the cost of our inventory is recorded net of

applicable rebates. There was no material discrepancy between accrued rebates and actual rebates we received from the automobile manufacturers during the Track Record Period. 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 the section headed "Risk Factors—Risks Relating to Our Business—Our business and operations depend on, and are subject to restrictions imposed by, our dealership authorization agreements with our automobile manufacturer partners. If one or more of these agreements is terminated or not renewed, or if our business dealings with any automobile manufacturer are otherwise reduced, our business, results of operations and prospects could be adversely affected" in this prospectus.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 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 judgment 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 the preparation of our financial statements.

Basis of Combination

This prospectus includes our combined financial information for the Track Record Period. 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 combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

No amount is recognized 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 combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining 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 our subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies.

All significant intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Judgments and Estimates

The preparation of our combined financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, 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.

Judgments

In the process of applying our accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial information:

Deferred tax assets

Deferred tax assets are recognized 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. Significant management judgement is required 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 values of deferred tax assets were RMB6.4 million, RMB5.8 million, RMB6.5 million and RMB9.2 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

Estimation uncertainty

The key assumptions concerning the future and other key resources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities for the next financial year, are discussed below.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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.

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 will be helpful in understanding the period-to-period discussion that follows below.

Revenue

The following table sets forth a breakdown of our revenue for the periods indicated:

	Year Ended December 31,							Six Months Ended June 30,			
	2008		2009		2010		2008–2010	2010		2011	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	CAGR	Revenue	Contribution	Revenue	Contribution
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000	%	RMB'000	%
Revenue from automobiles sales	3,336,222	90.1	4,728,922	91.6	7,168,106	92.9	46.6	3,154,820	93.0	4,922,060	94.0
Revenue from after-sales business	365,039	9.9	435,808	8.4	548,458	7.1	22.6	237,913	7.0	311,268	6.0
Overall	3,701,261	100.0	5,164,730	100.0	7,716,564	100.0	44.4	3,392,733	100.0	5,233,328	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 90.1%, 91.6%, 92.9% and 94.0% of our revenue in 2008, 2009 and 2010 and for the six months ended June 30, 2011, respectively. The contribution of our after-sales business to our revenue decreased slightly over the Track Record Period from 9.9% in 2008 to 8.4% in 2009 to 7.1% in 2010 and to 6.0% for the six months ended June 30, 2011. This decrease was primarily due to the opening of new stores during the Track Record Period. Our new stores typically require two years to fully ramp up their after-sales business performance due to the demand cycle for repair and maintenance services. All of our revenue is derived from our operations in the PRC. In 2010, we derived 50.9% of our revenue from our 4S dealership stores located in Shanghai and 22.4% and 17.7% from our 4S dealership stores located in Zhejiang and Jiangsu, respectively.

Revenue from automobile sales represents the sales of automobiles sold. Revenue from our after-sales business includes charges for maintenance, repair and other services rendered by us and revenue from the sales of spare parts, automobile accessories and other automobile-related products. We receive payment from automobile manufacturers for the repair and maintenance services and spare parts provided by us under their warranties. The warranty terms offered by automobile manufacturers generally cover services at any authorized 4S dealership store under their brands. Our after-sales customers include both our automobile buyers and customers who had purchased their automobiles elsewhere.

The prices of the automobiles and spare parts that we sell are affected by automobile manufacturers' pricing guidelines and other factors such as the popularity of particular models and competition with other 4S dealership stores in the same region who sell the same brands and models of automobiles as we do. Our after-sales service charges are also influenced by automobile manufacturers' pricing guidelines. We have greater flexibility to determine our retail pricing for automobile accessories and products of other types of manufacturers. We generally require customers to make full payment in cash when our products and services are delivered.

Sales of automobiles, spare parts and automobile accessories and revenues generated from our provision of repair, maintenance and customization services are generally subject to a 17% value-added tax (VAT). Our revenue is recorded exclusive of VAT.

Cost of Sales and Services Provided

In 2008, 2009, 2010 and the six months ended June 30, 2011, our cost of sales and services represented 93.1%, 91.5%, 91.1% and 90.1% of our revenue, respectively. Our cost of sales and services primarily comprises the cost of the new automobiles purchased from automobile manufacturers, which represented 93.8%, 95.1%, 95.9% and 96.6% of our total cost of sales and services in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Our cost of sales and services also includes the costs of our after-sales business, which primarily comprise the cost of purchasing spare parts for our repair, maintenance and customization services and the cost of purchasing automobile accessories and other products that we sell.

Other Income and Gains, Net

Our other income and gains, net, primarily comprise commissions received from insurance companies for automobile insurance policies sold to our customers, interest income from our bank deposits and government grants from local government authorities. The government grants that we receive are made at the discretion of local government authorities to encourage our business and development in their jurisdictions and are determined based on our tax contributions to the relevant local government authorities and our employment of local residents. There is no assurance that similar grants will be made in any future period.

Selling and Distribution Costs

In 2008, 2009, 2010 and the six months ended June 30, 2011, our selling and distribution costs were RMB97.9 million, RMB133.8 million, RMB177.1 million and RMB131.8 million, respectively, representing 2.6%, 2.6%, 2.3% and 2.5% of our revenue, respectively. The following table sets forth a breakdown of our sales and distribution costs for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Selling and distribution costs					
Salary and welfare expenses	35,549	49,054	56,456	27,273	35,542
Rental expenses and utilities	18,771	22,445	29,380	12,995	26,527
Advertising and promotion expenses	12,970	22,919	37,469	16,231	32,188
Depreciation	19,283	21,955	27,844	12,100	19,405
Logistics and petroleum costs	7,693	14,222	18,837	9,473	12,006
Software licensing fees	1,839	2,445	3,709	1,854	3,010
Others	1,787	716	3,405	2,269	3,083
Total	97,892	133,756	177,100	82,195	131,761

Administrative Expenses

In 2008, 2009, 2010 and the six months ended June 30, 2011, our administrative expenses were RMB53.5 million, RMB68.6 million, RMB91.0 million and RMB91.0 million, representing 1.4%, 1.3%, 1.2% and 1.7% of our revenue, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses					
Salary and welfare expenses	13,640	17,895	21,663	10,449	13,617
Office supplies and utilities	7,323	10,524	12,948	5,942	8,769
Business entertainment and travelling	8,166	9,313	12,932	7,071	12,960
Depreciation and amortization	10,243	11,902	16,908	7,450	15,398
Bank charges	4,185	4,408	6,913	3,266	9,113
Taxation	1,983	2,898	5,069	2,486	15,112
Professional fees and service charges	3,070	4,582	3,964	1,865	7,150
Others	4,859	7,074	10,588	3,590	8,878
Total	53,469	68,596	90,985	42,119	90,997

Finance Costs

Our finance costs primarily include interest expenses on bank loans and other borrowings. In 2008, 2009 and 2010 and the six months ended June 30, 2011, finance costs were RMB39.7 million, RMB26.0 million, RMB48.4 million and RMB48.1 million, representing 1.1%, 0.5%, 0.6% and 0.9% of our revenue, respectively. Our bank loans carried annual interest rates ranging from 5.8% to 9.0% in 2008 compared to 5.3% to 6.1% in 2009, 5.7% to 6.8% in 2010 and 5.8% to 7.9% for the six months ended June 30, 2011. Our borrowings from other financial institutions carried annual interest rates ranging from 7.5% to 8.2% in 2008, 5.6% to 7.8% in 2009, 6.4% to 8.1% in 2010, and 6.7% to 8.1% for the six months ended June 30, 2011.

Share of (Loss)/Profit of a Jointly-Controlled Entity

Our BMW brand 4S dealership in Shenyang, Shenyang Xinbaohang, is operated under a joint venture arrangement that we have with an Independent Third Party, Mr. Liu Yan. We did not enter into a shareholders' agreement with Mr. Liu with respect to Shenyang Xinbaohang. The articles of association of Shenyang Xinbaohang provides that profit distribution among its shareholders shall be made in accordance with the PRC Company Law. The PRC Company Law provides that profit distribution among the shareholders shall be made on the basis of capital contribution ratio, unless otherwise agreed by the shareholders. There is no other agreement regarding profit distribution among the shareholders of Shenyang Xinbaohang. The joint venture, which is accounted for by us as a jointly-controlled entity is not a connected person of our Company under Listing Rule 14A.11. We recorded a share of loss of Shenyang Xinbaohang of approximately RMB33,000 in 2009, which was primarily attributable to cost and expenses incurred for its establishment, including its company registration fee and employee salaries. Shenyang Xinbaohang commenced operation in early 2010.

Tax

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Council 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 our Company or its operations.

Our subsidiaries incorporated in the BVI are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

Our subsidiaries in the PRC are directly or indirectly held by our subsidiary, Kailong HK, a Hong Kong tax resident. Our subsidiaries incorporated in Hong Kong were subject to an income tax at the rates of 16.5% during the Trace Record Period. No provision for Hong Kong profits tax has been made as we had no assessable profits arising in Hong Kong during the Trace Record Period.

According to the EIT Law which became effective on January 1, 2008, the statutory income tax rate of domestic companies was reduced from 33% to 25%. 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 implementation regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC 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 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 rate of 5%, with the approval of the competent tax authorities.

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,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	3,701,261	5,164,730	7,716,564	3,392,733	5,233,328
Cost of sales and services provided	(3,445,172)	(4,726,644)	(7,028,566)	(3,090,381)	(4,714,265)
Gross profit	256,089	438,086	687,998	302,352	519,063
Other income and gains, net	12,903	26,965	37,482	16,654	38,414
Selling and distribution costs	(97,892)	(133,756)	(177,100)	(82,195)	(131,761)
Administrative expenses	(53,469)	(68,596)	(90,985)	(42,119)	(90,997)
Profit from operations	117,631	262,699	457,395	194,692	334,719
Finance costs	(39,671)	(26,033)	(48,378)	(19,378)	(48,076)
Share of (loss)/profit of a jointly-controlled entity	—	(33)	2,907	118	2,275
Profit before tax	77,960	236,633	411,924	175,432	288,918
Tax	(20,504)	(60,788)	(104,266)	(44,239)	(75,014)
Profit for the year/period	57,456	175,845	307,658	131,193	213,904
Attributable to:					
Owners of the parent	57,673	174,756	303,940	129,298	204,013
Non-controlling interests	(217)	1,089	3,718	1,895	9,891
	57,456	175,845	307,658	131,193	213,904

The Six Months Ended June 30, 2010 Compared with the Six Months Ended June 30, 2011

Revenue. Our revenue increased by 54.3% from RMB3,392.7 million for the six months ended June 30, 2010 to RMB5,233.3 million for the same period in 2011 primarily due to an increase in revenue from the sale of automobiles.

Revenue from the sale of automobiles increased by 56.0% from RMB3,154.8 million for the six months ended June 30, 2010 to RMB4,922.0 million for the same period in 2011 due to (1) the contribution to automobile sales from the eight new luxury and ultra-luxury brand 4S dealership stores opened during the 12 months ended June 30, 2011, and (2) continued sales growth at our more mature

stores. Revenue from sales of luxury and ultra-luxury automobiles increased by 71.9% from RMB2,451.3 million for the six months ended June 30, 2010 to RMB4,213.1 million for the same period in 2011, while revenue from sales of mid-to-upper market automobiles increased by 0.8% from RMB703.5 million for the six months ended June 30, 2010 to RMB708.9 million for the same period in 2011.

Revenue from our after-sales business increased by 30.9% from RMB237.9 million for the six months ended June 30, 2010 to RMB311.3 million for the same period in 2011. Revenue from our after-sales business is driven primarily by the demand for maintenance and repair services and related sales of spare parts, which is in turn primarily affected by the cumulative number of automobiles sold by us in the past and the relative maturity of the stores in our network. The increase in revenue from our after-sales business for the six months ended June 30, 2011 was attributable to increased after-sales revenue generated by our luxury brand 4S dealership stores including our stores which commenced operation in 2009 and, to a lesser extent, after-sales revenue growth at our mid-to-upper market brand 4S dealership stores which was attributable to increased sales of automobile-related products and accessories.

Cost of sales and services provided. Our cost of sales increased by 52.5% from RMB3,090.4 million for the six months ended June 30, 2010 to RMB4,714.3 million for the same period in 2011. This increase is consistent with the growth in our sales in the first half of 2011. As a percentage of revenue, our cost of sales decreased from 91.1% for the six months ended June 30, 2010 to 90.1% for the same period of 2011 primarily due to increased sales of luxury and ultra-luxury automobiles which generate higher gross margins than sales of mid-to-upper market brand automobiles. Cost of sales for luxury and ultra-luxury automobiles increased by 69.3% from RMB2,284.1 million for the six months ended June 30, 2010 to RMB3,866.4 million for the same period in 2011. Cost of sales for mid-to-upper market automobiles increased by 0.9% from RMB680.1 million for the six months ended June 30, 2010 to RMB686.0 million for the same period in 2011. These increases are consistent with the trends in our automobile sales in these product categories.

Gross profit. For the foregoing reasons, our gross profit increased by 71.7% from RMB302.4 million for the six months ended June 30, 2010 to RMB519.1 million for the same period in 2011. Gross profit from automobile sales increased by 94.0% from RMB190.6 million for the six months ended June 30, 2010 to RMB369.7 million for the same period in 2011. Gross margins from automobile sales increased from 6.0% for the six months ended June 30, 2010 to 7.5% for the same period in 2011. Gross profit from sales of luxury and ultra-luxury automobiles increased by 107.4% from RMB167.2 million for the six months ended June 30, 2010 to RMB346.7 million for the same period in 2011. Gross margins from sales of luxury and ultra-luxury automobiles increased from 6.8% for the six months ended June 30, 2010 to 8.2% for the same period in 2011. The increase in our gross margins from sales of luxury and ultra-luxury automobiles was mainly attributable to our sales of Land Rover & Jaguar brand automobiles in 2011. Gross profit from sales of mid-to-upper market automobiles decreased by 1.7% from RMB23.4 million for the six months ended June 30, 2010 to RMB23.0 million for the same period in 2011. Gross margins from sales of mid-to-upper market automobiles decreased slightly from 3.3% for the six months ended June 30, 2010 to 3.2% for the same period in 2011. The slight decreases in gross profits and gross margins from sales of mid-to-upper market automobiles were attributable to increased competition and the mix of automobile models sold under our mid-to-upper market brands.

Other income and gains, net. Other income and gains, net, increased by 129.9% from RMB16.7 million for the six months ended June 30, 2010 to RMB38.4 million for the same period in 2011, primarily due to an increase in our commission income. Our commission income increased due to an increase in the amounts of automobile insurance policies sold through our 4S dealership stores and higher commission rates that resulted from direct sales of automobile insurance policies to customers by certain of our 4S dealership stores which have obtained the necessary qualification to conduct such sales.

Selling and distribution costs. Our selling and distribution costs increased by 60.3% from RMB82.2 million for the six months ended June 30, 2010 to RMB131.8 million for the same period in 2011. This increase was primarily due to increases in our advertisement and business promotion expenses, rental expenses, depreciation and related salary and welfare, which were consistent with the growth in our business operation. As a percentage of revenue, sales and distribution costs remained relatively stable at 2.4% for the six months ended June 30, 2010 compared to 2.5% for the same period in 2011.

Administrative expenses. Our administrative expenses increased by 116.2% from RMB42.1 million for the six months ended June 30, 2010 to RMB91.0 million for the same period in 2011. This increase was consistent with the growth in our business operations over this period. As a percentage of revenue, administrative expenses increased from 1.2% for the six months ended June 30, 2010 to 1.7% for the same period in 2011. This increase was primarily due to the opening of eight new 4S dealership stores during the 12 months ended June 30, 2011.

Profit from operations. As a result of the foregoing, our profit from operations increased by 71.9% from RMB194.7 million for the six months ended June 30, 2010 to RMB334.7 million for the same period in 2011.

Finance costs. Our finance costs increased by 147.9% from RMB19.4 million for the six months ended June 30, 2010 to RMB48.1 million for the same period in 2011, primarily due to increased bank loans and other borrowings. Our financing needs increased during the six months ended June 30, 2011 due to (1) increased automobile purchases resulted from our network expansion and sales growth, and (2) our increased sales of luxury and ultra-luxury brand automobiles which involve higher purchase costs than mid-to-upper market automobiles. Our bank loans carried annual interest rates ranging from 5.7% to 6.8% for 2010 compared to 5.8% to 7.9% for the six months ended June 30, 2011. Our borrowings from other financial institutions carried annual interest rates ranging from 6.4% to 8.1% for 2010 compared to 6.7% to 8.1% for the six months ended June 30, 2011.

Tax. Our tax increased by 69.7% from RMB44.2 million for the six months ended June 30, 2010 to RMB75.0 million for the same period in 2011. Our effective tax rate remained relatively stable at 26.0% for the six months ended June 30, 2011 compared to 25.2% for the same period of 2010.

Profit for the period. As a result of the cumulative effect of the foregoing, our profit increased by 63.0% from RMB131.2 million for the six months ended June 30, 2010 to RMB213.9 million for the same period in 2011.

2010 Compared with 2009

Revenue. Our revenue increased by 49.4% from RMB5,164.7 million in 2009 to RMB7,716.6 million in 2010 primarily due to an increase in revenue from the sale of automobiles.

Revenue from the sale of automobiles increased by 51.6% from RMB4,728.9 million in 2009 to RMB7,168.1 million in 2010 due to (1) a 139.7% increase in revenues achieved at our four stores which commenced operation in 2009 in 2010 compared to 2009; (2) increased demand for automobiles generally in our markets, particularly for luxury brand automobiles, which resulted in continued strong growth in sales at our more mature stores; (3) the increased proportion of BMW and other luxury brand automobiles that we sold which generally have higher unit prices than mid-to-upper market brand automobiles; and (4) two additional 4S dealership stores which commenced operation in 2010. Revenue from sales of luxury and ultra-luxury automobiles increased by 67.4% from RMB3,336.7 million in 2009 to RMB5,584.0 million in 2010, while revenue from sales of mid-to-upper market automobiles increased by 13.8% from RMB1,392.2 million in 2009 to RMB1,584.1 million in 2010.

Revenue from our after-sales business increased by 25.9% from RMB435.8 million in 2009 to RMB548.5 million in 2010. The increase in revenue from our after-sales business in 2010 was attributable to increased after-sales revenue generated by our luxury brand 4S dealership stores, including our stores which commenced operation in 2009.

Cost of sales and services provided. Our cost of sales increased by 48.7% from RMB4,726.6 million in 2009 to RMB7,028.6 million in 2010. This increase was consistent with the growth in our sales in 2010. As a percentage of revenue, our cost of sales decreased from 91.5% in 2009 to 91.1% in 2010 primarily due to increased sales of luxury and ultra-luxury automobiles as well as synergies that resulted from our network expansion. Cost of sales for luxury and ultra-luxury automobiles increased by 65.6% from RMB3,146.1 million in 2009 to RMB5,208.8 million in 2010. Cost of sales for mid-to-upper market automobiles increased by 13.7% from RMB1,347.2 million in 2009 to RMB1,531.9 million in 2010. These increases are consistent with the trends in our automobile sales in these markets.

Gross profit. For the foregoing reasons, our gross profit increased by 57.0% from RMB438.1 million in 2009 to RMB688.0 million in 2010. Gross profit from automobile sales increased by 81.4% from RMB235.6 million in 2009 to RMB427.4 million in 2010. Gross margins from automobile sales increased from 5.0% in 2009 to 6.0% in 2010. Gross profit from sales of luxury and ultra-luxury automobiles increased by 96.9% from RMB190.6 million in 2009 to RMB375.2 million in 2010. Gross margins from sales of luxury and ultra-luxury automobiles increased from 5.7% in 2009 to 6.7% in 2010. Gross profit from sales of mid-to-upper market automobiles increased by 16.0% from RMB45.0 million in 2009 to RMB52.2 million in 2010. Gross margins from sales of mid-to-upper market automobiles increased from 3.2% in 2009 to 3.3% in 2010.

Other income and gains, net. Other income and gains, net, increased by 38.9% from RMB27.0 million in 2009 to RMB37.5 million in 2010, primarily due to an increase in our commission income. Our commission income increased due to an increase in the amounts of automobile insurance policies sold through our 4S dealership stores.

Selling and distribution costs. Our selling and distribution costs increased by 32.4% from RMB133.8 million in 2009 to RMB177.1 million in 2010. This increase was primarily due to increases in our advertising and promotion expenses, related salary and welfare, rental expenses and utilities and

depreciation, which were consistent with the growth in our business operations. As a percentage of revenue, sales and distribution costs remained relatively stable at 2.3% in 2010 compared to 2.6% in 2009.

Administrative expenses. Our administrative expenses increased by 32.7% from RMB68.6 million in 2009 to RMB91.0 million in 2010. This increase was consistent with the growth in our business operations over this period. As a percentage of revenue, administrative expenses remained relatively stable at 1.2% in 2010 compared to 1.3% in 2009.

Profit from operations. As a result of the foregoing, our profit from operations increased by 74.1% from RMB262.7 million in 2009 to RMB457.4 million in 2010.

Finance costs. Our finance costs increased by 86.2% from RMB26.0 million in 2009 to RMB48.4 million in 2010, primarily due to (1) increased bank borrowings to fund increased automobile purchases resulted from our network expansion and sales growth, and (2) higher borrowing rates in the PRC in 2010 compared to 2009. Our bank loans carried annual interest rates ranging from 5.3% to 6.1% in 2009 compared to 5.7% to 6.8% in 2010. Our borrowings from other financial institutions carried annual interest rates ranging from 5.6% to 7.8% in 2009 compared to 6.4% to 8.1% in 2010.

Tax. Our tax increased by 71.5% from RMB60.8 million in 2009 to RMB104.3 million in 2010. Our effective tax rate remained relatively stable at 25.3% in 2010 compared to 25.7% in 2009.

Profit for the year. As a result of the cumulative effect of the foregoing, our profit for the year increased by 75.0% from RMB175.8 million in 2009 to RMB307.7 million in 2010.

2009 Compared with 2008

Revenue. Our revenue increased by 39.5% from RMB3,701.3 million in 2008 to RMB5,164.7 million in 2009 primarily due to an increase in revenue from automobiles sales.

Revenue from automobiles sales increased by 41.7% from RMB3,336.2 million in 2008 to RMB4,728.9 million in 2009 due to (1) a strong rebound in automobile demand following a stimulus plan adopted in early 2009 by the PRC Government in response to the global financial crisis in 2008; (2) the increased amount of BMW and other luxury automobiles sold as luxury automobiles generally have higher unit prices than mid-to-upper market automobiles; and (3) four new 4S dealership stores which commenced operation in 2009. Revenue from sales of luxury and ultra-luxury automobiles increased by 67.3% from RMB1,994.3 million in 2008 to RMB3,336.7 million in 2009, while revenue from sales of mid-to-upper market automobiles increased by 3.7% from RMB1,341.9 million in 2008 to RMB1,392.2 million in 2009.

Revenue from our after-sales business increased by 19.4% from RMB365.1 million in 2008 to RMB435.8 million in 2009. The increase in revenue from our after-sales business in 2009 was driven primarily by (1) our automobile sales in prior fiscal periods, particularly in BMW and other luxury brand automobiles, which led to increased demand for related after-sales services, and (2) to a lesser extent, after-sales revenue contribution by our newly-established stores in 2009.

Cost of sales and services provided. Our cost of sales increased by 37.2% from RMB3,445.2 million in 2008 to RMB4,726.6 million in 2009, primarily due to the growth in our sales. As a percentage of revenue, our cost of sales decreased from 93.1% in 2008 to 91.5% in 2009 primarily due to increased sales of luxury and ultra-luxury brand automobiles as well as synergies and that resulted from our network expansion. Cost of sales for luxury and ultra-luxury automobiles increased by 64.7% from RMB1,910.7 million in 2008 to RMB3,146.1 million in 2009. This increase was generally in line with the increase in our sales of luxury and ultra-luxury brand automobiles in 2009. Cost of sales for mid-to-upper market automobiles increased from RMB1,321.4 million in 2008 to RMB1,347.2 million in 2009.

Gross profit. For the foregoing reasons, our gross profit increased by 71.1% from RMB256.1 million in 2008 to RMB438.1 million in 2009. Gross profit from automobile sales increased by 126.3% from RMB104.1 million in 2008 to RMB235.6 million in 2009. Gross margins from automobile sales increased from 3.1% in 2008 to 5.0% in 2009. Gross profit from sales of luxury and ultra-luxury brand automobiles increased by 128.0% from RMB83.6 million in 2008 to RMB190.6 million in 2009. Gross margins from sales of luxury and ultra-luxury automobiles increased from 4.2% in 2008 to 5.7% in 2009. Gross profit from sales of mid-to-upper market automobiles increased by 119.5% from RMB20.5 million in 2008 to RMB45.0 million in 2009. Gross margins from sales of mid-to-upper market automobiles increased from 1.5% in 2008 to 3.2% in 2009.

Other income and gains, net. Other income and gains, net, increased by 109.3% from RMB12.9 million in 2008 to RMB27.0 million in 2009, primarily due to an increase in our commission income. Our commission income increased due to increases in the amounts of automobile insurance sold through our 4S dealership stores.

Selling and distribution costs. Our selling and distribution costs increased by 36.7% from RMB97.9 million in 2008 to RMB133.8 million in 2009. This increase was primarily due to increases in related salary and welfare, advertising and promotion expenses and rental expenses, which were consistent with the growth in our business operations over this period. As a percentage of revenue, sales and distribution costs remained unchanged at 2.6% in 2009 and 2008.

Administrative expenses. Our administrative expenses increased by 28.2% from RMB53.5 million in 2008 to RMB68.6 million in 2009. This increase was consistent with the growth in our business operations over this period. As a percentage of revenue, administrative expenses remained relatively stable at 1.3% in 2009 compared to 1.4% in 2008.

Profit from operations. As a result of the foregoing, our profit from operations increased by 123.4% from RMB117.6 million in 2008 to RMB262.7 million in 2009.

Finance costs. Our finance costs decreased by 34.5% from RMB39.7 million in 2008 to RMB26.0 million in 2009, primarily due to (1) increased utilization of short term financing from automobile manufacturers which offered certain interest-free periods of up to two months, and (2) successive reductions in borrowing rates in the PRC during 2009. Our bank loans carried annual interest rates ranging from 5.8% to 9.0% in 2008 compared to 5.3% to 6.1% in 2009. Our borrowings from other financial institutions carried annual interest rates ranging from 7.5% to 8.2% in 2008 compared to 5.6% to 7.8% in 2009.

Tax. Our tax increased by 196.6% from RMB20.5 million in 2008 to RMB60.8 million in 2009. Our effective tax rate remained relatively stable at 25.7% in 2009 compared to 26.3% in 2008.

Profit for the year. As a result of the cumulative effect of the foregoing, our profit for the year increased by 205.7% from RMB57.5 million in 2008 to RMB175.8 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new 4S 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 and cash flows generated from our operating activities. We expect the finance costs of our Group to increase as our inventory level and prepayments for new automobiles will grow due to the continuing expansion of our business. Our operating cash flow during the Track Record Period was negative, and may continue to be negative in the future, as a result of automobile inventory purchases to stock our rapidly expanding store network. We finance our working capital needs primarily through cash flow generated from operations and bank borrowings. We have historically repaid our bank acceptance notes and repaid or rolled over our bank loans when due. During the Track Record Period, we did not experience any significant difficulties in rolling over our bank loans. Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other borrowings and the estimated net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital available to satisfy our requirements, including to fund our planned dealership network expansion, for at least 12 months following the date of this prospectus. We do not expect our future dealership network expansion to have a significant impact on our financing capability.

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	17,893	(56,974)	(121,247)	72,375	(259,875)
Net cash used in investing activities	(35,931)	(187,153)	(579,906)	(68,354)	(202,954)
Net cash (used in)/generated from financing activities	(7,327)	370,726	872,836	69,496	492,452
Net (decrease)/increase in cash and cash equivalents	(25,365)	126,599	171,683	73,517	29,623
Cash and cash equivalents at the end of each year/period	86,194	212,793	384,476	286,310	414,099

Cash Flow Generated from/(used in) Operating Activities

Our net cashflow from operating activities was negative in 2009, 2010 and during the six months ended June 30, 2011 mainly because (1) we need to purchase and maintain inventory for the new stores opened during those periods although they were still in the process of ramping up their sales. As a result of our network expansion, a significant number of our 4S dealership stores had been operating for less than one year at any given time during the Track Record Period (four out of 17 as of December 31, 2009, three out of 20 as of December 31, 2010 and eight out of 26 as of June 30, 2011), which meant that those stores had not fully ramped up their sales; and (2) we are required to make full payment for our automobile purchases prior to shipment, and there is a time lapse ranging from two to three weeks to, in extreme cases, four months before the related automobiles are delivered to our stores for sale; as a result, our prepayments for automobile purchases are reflected in our operating cashflows before profit from the related automobile sales are recorded and significantly higher automobile purchases made in anticipation of increased sales for future periods result in significant cash outflow for the current period. We finance our liquidity requirements through a combination of bank loans and other borrowings and cash flows generated from our operating activities. 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. Our negative operating cashflow increased from 2009 to 2010 and during the six months ended June 30, 2011 due to our accelerated pace of opening new dealership stores, and we are likely to continue to have negative operating cashflow in the foreseeable future due to (1) the fact that a significant percentage (nine out of 26 as of June 30, 2011) of our dealership stores commenced operation within the past 24 months and are still in the process of ramping up their automobile sales and after-sales businesses, and (2) our continued network expansion plans. As of the Latest Practicable Date, we had received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Please refer to the section headed "Our Business—Our Dealership Network—Network Expansion" for a description of our planned network expansion for the remainder of 2011 and 2012. 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.

For the six months ended June 30, 2011, our net cash used in operating activities was RMB259.9 million, consisting primarily of profit before taxation of RMB288.9 million and an increase in trade and bills payables of RMB633.1 million attributable mainly to our increased automobile purchases, which was offset by an increase in inventories of RMB777.2 million, an increase in pledged bank deposits of RMB220.7 million, which corresponded with the increase in bills payables, and an increase in prepayments, deposits and other receivables of RMB216.0 million due to increased prepayments resulting from our increased automobile purchases. Our automobile purchases during the six months ended June 30, 2011 was primarily attributable to (1) increased automobile sales at our existing stores, including the stores opened in 2009 and 2010, compared to the same period in 2010, (2) inventory purchased for our new stores opened during the six months ended June 30, 2011 and a Land Rover & Jaguar store opened in July 2011 and (3) purchases made in anticipation of sales for the second half of 2011. The increase in inventories during the six months ended June 30, 2011 reflected increased automobile purchases made by us during the same period.

In 2010, our net cash used in operating activities was RMB121.2 million, consisting primarily of profit before taxation of RMB411.9 million and an increase in trade and bills payables of RMB262.1 million attributable to increased automobile purchases, which was offset by an increase in prepayments, deposits and other receivables of RMB419.8 million primarily attributable to increased prepayments for automobile purchases, an increase in inventories of RMB317.8 million and an increase in pledged bank deposits of RMB112.5 million, which corresponded with the increase in bills payables. The increase in our automobile purchases in 2010 was primarily due to increased sales at our stores, including the stores opened in 2009 and the need to purchase and maintain inventory for the new stores opened in 2010 and in the first half of 2011. The increase in inventories in 2010 reflected our increased automobile purchases made during that year.

In 2009, our net cash used in operating activities was RMB57.0 million, consisting primarily of profit before taxation of RMB236.6 million and an increase in trade and bills payables of RMB29.8 million attributable to increased automobile purchases, which was offset by an increase in prepayments, deposits and other receivables of RMB256.4 million primarily attributable to increased prepayments for automobile purchases, an increase in inventories of RMB60.3 million and an increase in pledged bank deposits of RMB51.7 million which corresponded with the increase in bills payables. The increase in our automobile purchases in 2009 was primarily due to increased sales at our stores and the need to purchase and maintain inventory for the new stores that we opened in 2009.

In 2008, our net cash generated from operating activities was RMB17.9 million, consisting primarily of profit before taxation of RMB78.0 million, a decrease in prepayments, deposits and other receivables of RMB61.2 million attributable to a decrease in our automobile purchases resulting from the market slowdown in 2008 and a decrease in pledged bank deposits of RMB55.7 million due to a reduction in bills payables, which were offset by an decrease in trade and bills payables of RMB165.6 million and an increase in inventories of RMB48.7 million.

Cash Flow used in Investing Activities

For the six months ended June 30, 2011, our net cash used in investing activities was RMB203.0 million, consisting primarily of RMB189.5 million used for the purchase of property, plant and equipment and RMB15.5 million for the purchase of land use rights in connection with our new stores that commenced operation in the first half of 2011 and new stores planned for the second half of 2011 and 2012.

In 2010, our net cash used in investing activities was RMB579.9 million, consisting primarily of RMB257.4 million used for the purchase and development of land use rights, purchases of property, plant and equipment of RMB163.1 million in connection with our new stores which commenced operation in 2010, the acquisition of certain equity interests from Mr. Yang Aihua in the amount of RMB146.0 million in connection with our reorganization and an advance of RMB32.9 million to Shenyang Xinbaohang for its business development. This advance is non-trading related in nature and has no fixed repayment date.

In 2009, our net cash used in investing activities was RMB187.2 million, consisting primarily of purchases of property, plant and equipment of RMB163.3 million for our new stores which commenced operation in 2009 and acquisition of certain equity interests from Mr. Yang Aihua in the amount of RMB41.8 million in connection with our reorganization, which were partially offset by proceeds of RMB21.4 million from the disposal of a relatively large quantity of retired test-drive automobiles.

In 2008, our net cash used in investing activities was RMB35.9 million consisting primarily of purchases of property, plant and equipment of RMB41.5 million.

Cash Flow (used in)/Generated from Financing Activities

For the six months ended June 30, 2011, our net cash generated from financing activities was RMB492.5 million, consisting primarily of proceeds from bank loans and other borrowings of RMB1,724.7 million and contribution from the then equity holders of our subsidiaries of RMB40.0 million, which was partially offset by repayment of bank loans and other borrowings of RMB1,199.6 million.

In 2010, our net cash generated from financing activities was RMB872.8 million, consisting primarily of proceeds from bank loans and other borrowings of RMB2,471.7 million, contribution from the then equity holders of our subsidiaries of RMB755.5 million, which was partially offset by repayment of bank loans and other borrowings of RMB2,212.3 million.

In 2009, our net cash generated from financing activities was RMB370.7 million, consisting primarily of proceeds from bank loans and other borrowings of RMB1,934.8 million and advances from Mr. Yang Aihua of RMB130.9 million, which were partially offset by repayment of bank loans and other borrowings of RMB1,649.0 million and dividends of RMB14.6 million paid to Mr. Yang Aihua.

In 2008, our net cash used in financing activities was RMB7.3 million, consisting primarily of the repayment of bank loans and other borrowings of RMB1,494.6 million, which were primarily offset by proceeds from bank loans and other borrowings of RMB1,483.3 million and contribution from Mr. Yang Aihua of RMB39.0 million.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of June 30,	As of September 30,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Inventories	359,894	420,165	737,953	1,515,202	1,265,321
Trade receivables	28,849	41,736	42,847	54,253	62,293
Prepayments, deposits and other receivables	214,596	478,905	897,726	1,078,113	1,242,859
Amounts due from a related party	—	1,000	33,900	37,835	37,835
Pledged bank deposits	111,971	163,623	276,149	496,818	500,834
Cash in transit	7,550	17,423	14,022	33,660	30,714
Cash and cash equivalents	86,194	212,793	384,476	414,099	530,367
Total current assets	809,054	1,335,645	2,387,073	3,629,980	3,670,223

	As of December 31,			As of June 30,	As of September 30,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Bank loans and other borrowings	262,159	547,988	807,339	1,182,456	1,299,450
Trade and bills payables	297,836	327,593	589,645	1,222,511	1,117,149
Other payables and accruals	130,186	170,324	164,375	281,564	321,264
Amounts due to related parties	17,879	148,814	5,385	1,143,991	1,099,003
Income tax payable	18,196	69,804	152,713	176,607	122,601
Dividends payable	—	—	—	4,932	4,932
Total current liabilities	726,256	1,264,523	1,719,457	4,012,061	3,964,399
Net Current Assets/(Liabilities)	82,798	71,122	667,616	(382,081)	(294,176)

As of September 30, 2011, we had net current liabilities of RMB294.2 million, representing a decrease of RMB87.9 million from our net current liabilities of RMB382.1 million as of June 30, 2011. This change was primarily due to (1) an increase in our cash and cash equivalents of RMB116.3 million attributable to our increased operation scale and increased sales in the third quarter of 2011, and (2) a net settlement of RMB54.0 million in our corporate income tax payable.

As at June 30, 2011, we had net current liabilities of RMB382.1 million, representing a decrease of RMB1,049.7 million from our net current assets of RMB667.6 million as at December 31, 2010. This change was primarily due to an increase in our amounts due to related parties of RMB1,138.6 million, an increase in our trade and bills payables of RMB632.9 million, an increase in our bank loans and other borrowings of RMB375.1 million and an increase in our other payables and accruals of RMB117.2 million, which were partially offset by an increase in our inventories of RMB777.2 million, an increase of our pledged bank deposits of RMB220.7 million, and an increase in our prepayments, deposits and other receivables of RMB180.4 million. Our amounts due to related parties and dividends payable increased due to dividends declared but not paid to our existing shareholders in an aggregate amount of RMB453.3 million and the acquisition by Suzhou Baoxin of the 3% equity interests in Shanghai Baoxin from the existing shareholders, Huakong Innovation and Huakong Industry, in an aggregate amount of RMB550 million. We will make the dividend payment to our shareholders before the Listing Date using our internal resources. Our Directors are satisfied, after due and careful inquiry, that after such dividend payment, we will still have sufficient funds available to satisfy our working capital requirements, including to fund our planned dealership network expansion, for at least 12 months following the date of this prospectus. Our trade and bills payables, bank loans and other borrowings, inventories and prepayments, deposits and other receivables increased due to increased automobile purchase volumes, which was attributable both to increased sales at our existing stores and to the new stores which we opened during the second half of 2010 and in the first half of 2011. Deposits pledged to our lenders as collateral against bank credit facilities granted to us increased as a result of the increase in our bank loans and bank acceptance notes. The increase in other payables and accruals is mainly attributable to payables incurred for the purchase of land use rights and increased advances from customers, both of which are attributable to the new 4S dealership stores which we opened during the six months ended June 30, 2011. We expect that all amounts due from related parties will be fully repaid prior to the Listing Date. We will settle all amounts due to our related parties prior to the Listing, other than an aggregate amount of RMB550 million due to Huakong Industry and Huakong Innovation as the consideration to purchase the aggregate equity interest of 3% in Shanghai Baoxin, which amount will be settled after the completion of our Global Offering. We plan to consummate this purchase within two weeks of the Listing Date. Please see section headed "Future Plans and Use of Proceeds" for details.

We plan to settle the RMB594.0 million due to our related parties (being the total amount of RMB1,144.0 million due to our related parties as of June 30, 2011 less the RMB550.0 million due to Huakong Innovation and Huakong Industry, which we intend to settle after the completion of the Global Offering) using our internal resources prior to the Listing. Our cash and cash equivalents as of September 30, 2011 increased to RMB530.4 million from RMB414.1 million as of June 30, 2011. We expect our cash and cash equivalents to continue to increase during the fourth quarter of 2011 as our business operations continue to expand. As such, we expect to have sufficient cash to settle approximately RMB594.0 million due to related parties prior to the Listing. The settlement of the amounts due to related parties, including the RMB550 million due to Huakong Innovation and Huakong Industry, will significantly reduce our current liabilities and the net proceeds from the Global Offering will significantly increase our current assets. Accordingly, we expect to return to a net current assets position following the completion of the Global Offering. However, there can be no assurance that we will not record a net current liabilities position in the future due to other reasons, including the risk factors disclosed in this prospectus under the section headed "Risk Factors". If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms or at all. Any such development could materially and adversely affect our business, results of operations and financial condition.

Our net current assets increased by RMB596.5 million from RMB71.1 million as of December 31, 2009 to RMB667.6 million as of December 31, 2010. This change was primarily due to an increase in our inventories of RMB317.8 million, an increase in our prepayments, deposits and other receivables of RMB418.8 million, an increase in our cash and cash equivalents of RMB171.7 million, an increase in our pledged bank deposits of RMB112.5 million and an increase in our amounts due from related parties of RMB32.9 million, which were partially offset by an increase in bank loans and other borrowings of RMB259.4 million and an increase in trade and bills payable of RMB262.1 million. Our cash and cash equivalents, inventories, prepayments to suppliers, incentive rebates receivables due from automobile manufacturers and bank loans and other borrowings increased due to increased automobile sales and purchase volumes, which was attributable both to increased sales at our existing stores and to the new stores which we opened in 2010. Our deposits pledged to our lenders as collateral against bank credit facilities granted to us increased as a result of the increase in our bank loans and bank acceptance notes. Amounts due from a related party increased due to the loan made by us to Shenyang Xinbaohang in 2010. We expect all such outstanding amounts to be settled in full prior to the Listing Date. Amounts due to our related party, namely, Mr. Yang Aihua had decreased from RMB148.8 million as of December 31, 2009 to RMB5.4 million as of December 31, 2010. This outstanding amount was extended to us by Mr. Yang Aihua on an interest-free basis and we expect all such outstanding amounts to be repaid in full prior to the Listing Date.

Our net current assets decreased by RMB11.7 million from RMB82.8 million as of December 31, 2008 to RMB71.1 million as of December 31, 2009. This change was primarily due to increases in our bank loans and other borrowings and amounts due to a related party, which were partially offset by increases in our inventories, prepayments, deposits and other receivables and cash and cash equivalents. The increases in our bank loans and other borrowings, amounts due to a related party, inventories, and prepayments, deposits and other receivables were due to increased automobile purchase volumes, which were attributable both to the new stores which we opened in the first half of 2009 and to increased sales at our other stores. Our deposits pledged to our lenders as collateral against bank credit facilities granted to us increased in 2009 as a result of the increase in our bills payable.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily comprised of expenditures on property, plant and equipment and land use rights. During the Track Record Period, our total capital expenditures were RMB59.1 million, RMB180.2 million, RMB427.0 million and RMB300.1 million, respectively. The following table sets out our expenditures on property, plant and equipment and land use rights for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure				
Property, plant and equipment	58,981	180,152	169,556	181,205
Land use rights	88	—	257,398	116,479
Intangible assets	—	—	—	2,379
Total	59,069	180,152	426,954	300,063

The increase in our capital expenditure in 2009, 2010 and the six months ended June 30, 2011 was primarily due to increased cost of property and equipment acquired for the new 4S dealership stores which we opened during those periods and reflected higher costs as a result of inflation in the PRC. In addition, our capital expenditure in 2010 included the purchase price of land use rights acquired for two new 4S dealership stores and the conversion of an industrial use land for commercial use in Shanghai.

The converted land (the "**Putuo Land**") is located in the Putuo District of Shanghai and the net book value of the land use right for the Putuo Land as of June 30, 2011 was RMB264.5 million, which was calculated by deducting the accumulated amortization from the original cost of RMB57.3 million for the acquisition of the initial industrial use land and the cost of RMB219.1 million for the subsequent conversion for commercial use. The majority portion of the conversion costs was advanced by Mr. Yang Aihua to the Group and was recorded as an amount due to related parties.

The Putuo Land is owned by Shanghai Kailong Qixiao, which also operated a Nissan 4S store on such land during the Track Record Period. Shanghai Kailong Qixiao is controlled by Mr. Yang Aihua. To avoid any competition between the Group and the Controlling Shareholders, as part of the Reorganization, Shanghai Kailong Qixiao transferred all the operating assets and liabilities relating to the Nissan 4S store to Minhang Automobiles, one of our subsidiaries, based on the book value of the operating assets and liabilities as at June 30, 2011. As Mr. Yang Aihua has intended to use the Putuo Land for future commercial property development, which is not an integral part or an intended constituent of the Group's business and operations, the Putuo Land, along with other assets and liabilities that are not directly related to the Group's business, were retained by Shanghai Kailong Qixiao, which was accounted for as a shareholder distribution to Mr. Yang Aihua on June 30, 2011 in the combined financial statements. As a result, our amounts due to related parties have been reduced accordingly. For details of the transfer of the land use rights for the Putuo Land, please refer to Note 31 to the Accountants' Report included in Appendix I to this prospectus and the section headed "Our History Reorganization—Reorganization—Onshore Reorganization".

The Group currently operates a Nissan 4S store and a Hyundai 4S store on the Putuo Land and the premises on which the two 4S dealership stores conduct their operations only form a small portion of the entire Putuo Land. In order to allow the two 4S dealership stores to continue their business operations, Shanghai Kailong Qixiao has entered into lease agreements with the Group pursuant to which the Group leases from it the premises currently used by these two 4S stores. As each of the lease agreements is valid for a term of three years ending in 2014, we have no current plan to relocate those two 4S dealership stores and do not expect to incur any relocation costs in the foreseeable future. Accordingly, we do not expect the business operations of the abovementioned two 4S dealership stores

to be materially and adversely affected. The lease agreements were entered into on normal commercial terms and will constitute a continuing connected transaction of the Group. It is, however, considered to be a *de minimis* transaction under the Listing Rules and therefore exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. Although Mr. Yang Aihua has not decided on how and when to carry out the commercial property development on the Putuo Land, there can be no assurance that the lease arrangements between us will not be disrupted. If the lease agreements were terminated or not renewed upon termination, we may need to seek alternate premises.

Our capital expenditure in the six months ended June 30, 2011 included the purchase price of land use rights acquired for opening of new 4S dealership stores during this period.

CAPITAL COMMITMENTS

The following table sets out our capital commitments in respect of property, plant and equipment and land use rights, as of each date indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for land use rights and buildings.	2,040	5,420	3,010	45,976
Authorized, but not contracted for land use rights and buildings.	3,040	233,561	25,124	36,986
Total.	5,080	238,981	28,134	82,962

OPERATING LEASE COMMITMENTS

The following table sets out our total future minimum lease payments under non-cancellable operating leases as of each date indicated:

	As of December 31,						As of June 30,	
	2008		2009		2010		2011	
	Properties	Land	Properties	Land	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,204	11,846	1,293	13,700	6,861	9,650	10,481	26,034
After 1 year but within 5 years	4,755	34,596	3,906	37,547	18,990	34,531	34,303	103,672
After 5 years	14,057	55,179	13,693	92,027	24,574	79,676	71,323	161,412
Total	20,016	101,621	18,892	143,274	50,425	123,857	116,107	291,118

INVENTORY

During the Track Record Period, our inventories primarily consisted of new automobiles and spare parts and accessories. Each of our 4S stores individually manages their orders for new automobiles and after-sales products. We coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network.

The following table sets forth a summary of our total inventories as of each date indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Automobiles	321,400	370,868	678,858	1,429,471
Spare parts and accessories	38,494	49,297	59,095	85,731
Total	359,894	420,165	737,953	1,515,202

Our inventories increased by RMB777.2 million from RMB738.0 million as of December 31, 2010 to RMB1,515.2 million as of June 30, 2011, primarily due to an increase in our inventory of new automobiles by RMB750.6 million from RMB678.9 million as of December 31, 2010 to RMB1,429.5 million as of June 30, 2011. We increased the inventory that we maintained across our network in 2011 due to (1) increased demand and sales at our stores, (2) increased sales of luxury and ultra-luxury automobiles, and (3) the addition of six dealership stores which commenced operation during the six months ended June 30, 2011. As of September 30, 2011, the subsequent utilization of our inventories as of June 30, 2011 was RMB1,161.6 million, or 76.7% of RMB1,515.2 million of our inventory balance as of June 30, 2011. Our inventories for the six new luxury and ultra-luxury brand dealership stores opened during the six months ended June 30, 2011 were RMB246.5 million as of June 30, 2011. As of September 30, 2011, the subsequent utilization of our inventories for these six new dealership stores as of June 30, 2011 was RMB211.5 million, or 85.8% of our inventories for these six new dealership stores as of June 30, 2011.

Our inventories increased by RMB317.8 million from RMB420.2 million as of December 31, 2009 to RMB738.0 million as of December 31, 2010, primarily due to an increase in our inventory of new automobiles by RMB308.0 million from RMB370.9 million as of December 31, 2009 to RMB678.9 million as of December 31, 2010. We increased the inventory that we maintained across our network in 2010 due to (1) increased demand and sales at our stores, (2) increased sales of luxury and ultra-luxury automobiles, and (3) the addition of two dealership stores which commenced operation in 2010.

Our inventories increased by RMB60.3 million from RMB359.9 million as of December 31, 2008 to RMB420.2 million as of December 31, 2009, primarily due to an increase in our inventory of new automobiles by RMB49.5 million from RMB321.4 million as of December 31, 2008 to RMB370.9 million as of December 31, 2009 to support our new stores opened in 2009 and the growth in our automobile sales during that year. We increased the inventory that we maintained across our network in 2009 due to (1) a sharp recovery in demand and sales across our stores following the stimulus package promulgated by the PRC Government in 2009, (2) increased sales of luxury and ultra-luxury automobiles, and (3) the addition of four 4S dealership stores which commenced operation during the first half of 2009.

Our 4S dealership stores generally order their inventory on a monthly basis and plan their inventory purchases for each month based on an annual non-binding sales target set by the relevant automobile manufacturer at the beginning of each year. The monthly purchases made by each store is adjusted by taking into account its existing inventory levels, expected customer demand, projected sales trends and expected delivery times for different automobile models. We did not experience during the Track Record Period any material fluctuations in our inventory balances on a per store basis. Over the Track Record Period, automobile sales were usually slower in the first half of each year due to store closures during the Chinese New Year and Labor Day holidays in China. In anticipation of higher sales in the second half of a given year, we generally purchase more inventories during the first half of the year than in the second half.

We provide inventory provision on an item-by-item basis when carrying value of the inventories is higher than their net realizable value. Net realizable value is determined based on the estimated selling price of the relevant inventories in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. We did not record any inventory provision during the Track Record Period.

Certain of our inventories with a carrying amount of RMB101.4 million, RMB139.5 million, RMB225.6 million and RMB382.6 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, were pledged as security for our Group's bank loans and other borrowings. The increase in pledged inventories was primarily due to the increases in our bank loans and other borrowings as of December 31, 2009 and 2010 and June 30, 2011.

Our inventories with a carrying amount of RMB191.0 million, RMB209.2 million, RMB398.9 million and RMB798.2 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, were pledged as security for our Group's bills payables. This increase was primarily due to our increased use of bank acceptance notes as of December 31, 2009 and 2010 and June 30, 2011.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
Average inventory turnover days[(1)] . .	35.6	30.1	30.1	43.7

Note:

(1) The average inventory turnover days for a certain period is the average of opening and closing inventory balances divided by the cost of sales and services for that period and multiplied by 365 days for a year or 183 days for a six-month period, as applicable.

Our average inventory turnover days in 2009 decreased to 30.1 days from 35.6 days in 2008 primarily due to the sharp recovery in market demand for automobiles in 2009. Our average inventory turnover days in 2010 remained stable at 30.1 days. Our average inventory turnover days increased to 43.7 days in the six months ended June 30, 2011, primarily due to (1) the eight new stores which we opened during the second half of 2010 and the first half of 2011 as inventory turnover at these newly-established stores took longer compared to our more mature stores, and (2) our increased purchases (resulting in higher inventory holdings) of certain BMW models made in anticipation of expected customer demand and sales trends for the second half of 2011.

The table below sets forth the aging analysis of our inventory for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,		
	2008			2009			2010			2011		
	Automobiles	Spare parts and accessories	Total amount	Automobiles	Spare parts and accessories	Total amount	Automobiles	Spare parts and accessories	Total amount	Automobiles	Spare parts and accessories	Total amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months . .	303,138	38,494	341,632	364,205	49,297	413,502	668,943	59,095	728,038	1,400,019	85,731	1,485,750
6–12 months	13,719	—	13,719	3,213	—	3,213	5,027	—	5,027	22,597	—	22,597
1–2 years	4,543	—	4,543	3,450	—	3,450	4,888	—	4,888	6,855	—	6,855
Over 2 years	—	—	—	—	—	—	—	—	—	—	—	—
Total	321,400	38,494	359,894	370,868	49,297	420,165	678,858	59,095	737,953	1,429,471	85,731	1,515,202

TRADE RECEIVABLES

Our automobile sales are typically settled on a cash basis upon delivery of the automobiles. Our trade receivables primarily comprise (1) proceeds due to us from banks and other financial institutions from automobile financing loans obtained by our customers for their purchases, and (2) outstanding amounts due to us from automobile manufacturers and insurance companies for repair, maintenance and other after-sales services performed for our customers.

Our trade receivables increased from RMB28.8 million as of December 31, 2008 to RMB41.7 million as of December 31, 2009 and RMB42.8 million as of December 31, 2010. As of June 30, 2011, our trade receivables has reached RMB58.4 million, of which an aggregate amount of RMB53.0 million

was settled during the three months ended September 30, 2011. The increase in trade receivables in the Track Record Period was consistent with the growth in our after-sales business over the Track Record Period.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
Average trade receivables turnover days[(1)]	2.8	2.5	2.0	1.7

Note:

(1) The average trade receivables turnover days for a certain period is the average of opening and closing gross trade receivables balances divided by revenue for that period and multiplied by 365 days for a year or 183 days for a six-month period, as applicable. Therefore, our average trade receivables turnover days indicate the time required for the Company to obtain cash proceeds from our sales.

We maintained short turnover days during the Track Record Period mainly because our sales are typically settled by cash. Our average trade receivable turnover days remained low during the Track Record Period.

It is our accounting policy and practice to provide 100% provision for the trade receivables in doubt with aging over 12 months. The amount of identified trade receivables outstanding for over 12 months and with recoverability in doubt as of December 31, 2008, 2009 and 2010, respectively, was individually and in the aggregate immaterial to the Group and therefore was not recognized. As of June 30, 2011, trade receivables outstanding for over 12 months and with recoverability in doubt amounted to RMB4.2 million and the Group has made full provision for such amount. Such trade receivables are mainly related to payments for after-sales services due from individual customers and not covered by their insurance policies. Despite the provision, the Company is seeking to recover such amounts from the relevant individual customers.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The following table sets out our prepayment, deposits and other receivables as of each date indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	111,681	285,666	621,251	699,163
Prepayments for purchase of items of plant, property and equipment	8,556	7,970	4,422	13,165
Deposit paid for potential acquisition of land use rights	8,200	22,171	18,698	—
Rebate receivables	60,809	131,219	180,853	239,705
VAT recoverable(1)	5,969	7,497	20,881	60,388
Staff loans	8,829	13,279	30,776	32,279
Others	10,552	11,103	20,845	33,413
Total	214,596	478,905	897,726	1,078,113

Note:

(1) Our Group's 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 domestic sales of our Group is 17%.

The increases in our prepayments, deposits and other receivables as of December 31, 2009 and 2010 and June 30, 2011 were primarily attributable to increases in our prepayments to suppliers and rebate receivables. We are required to pay in advance for the automobiles that we purchase prior to shipment. The increases in our prepayments to suppliers as of December 31, 2009 and 2010 and June 30, 2011 were attributable to the increases in our automobile inventory purchases during those years to support our increased sales and new store openings. The increases in our rebate receivables were also consistent with the growth in our sales and our business during these years. As of June 30, 2011, the total amount of our rebate receivables was RMB239.7 million, of which an aggregate amount of RMB122.2 million was settled during the three months ended September 30, 2011.

TRADE AND BILLS PAYABLES

The balance of trade and bills payables at the end of each year or period represented outstanding amounts payable by us for new automobiles, spare parts and automobile accessories that we purchased.

Trade payables are mainly relating to purchases of spare parts and automobile accessories, and are recognized upon receipt of spare parts and automobile accessories. Generally, automobile manufacturers do not give any credit period and require us to pay for spare parts and automobiles accessories before delivery. We purchase a small portion of automobile accessories from other types of suppliers. Such suppliers generally grant us a credit period for no more than three months. Our bills payables primarily relate to our use of bank acceptance notes to finance our purchases of new automobiles. These bank

acceptance notes are generally secured by bank deposits and inventories. As of December 31, 2010, we had bills payables of RMB575.3 million and pledged bank deposits of RMB276.1 million. As of June 30, 2011, we had bills payables of RMB1,199.5 million and pledged bank deposits of RMB496.8 million. We are required to bear relevant bank charges for the issuance of these bank acceptance notes, which are generally non-interest bearing. Upon the repayment of bank acceptance notes, the pledged deposits are released and can be used to secure new bank acceptance notes. If we are unable to generate sufficient sales from our existing inventory of new automobiles to repay our bank acceptance notes within the applicable credit term, which is typically two to three months, we may be required to repay the notes from other cash resources. This could adversely affect our working capital and our ability to acquire new inventory. We may incur additional financing costs as a result of the new borrowings. During the Track Record Period, our inventory turnover days were generally shorter than the credit term of our bank acceptance notes and we did not experience any difficulty in repaying our bank acceptance notes with payments from customers for sales of new automobiles.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	265,612	307,768	570,884	1,163,462
3 to 6 months	28,408	11,996	16,410	57,501
6 to 12 months	2,423	1,784	2,129	437
Over 12 months	1,393	6,045	222	1,111
Total	297,836	327,593	589,645	1,222,511

As of June 30, 2011, our trade and bills payables were RMB1,222.5 million. Our trade and bills payables increased by RMB29.8 million, or 10.0%, from RMB297.8 million as of December 31, 2008 to RMB327.6 million as of December 31, 2009. Our trade and bills payables increased by RMB262.0 million, or 80.0%, from RMB327.6 million as of December 31, 2009 to RMB589.6 million as of December 31, 2010. Our trade and bills payables increased by RMB632.9 million, or 107.3%, from RMB589.6 million as of December 31, 2010 to RMB1,222.5 million as of June 30, 2011. The increases in our trade and bills payables as of December 31, 2009 and 2010 and June 30, 2011 were attributable primarily to our increased automobile inventory purchase volumes during those periods. As of June 30, 2011, our trade payables were RMB23.0 million, of which an aggregate amount of RMB21.8 million has been settled during the three months ended September 30, 2011. As of June 30, 2011, our bills payables were RMB1,199.5 million, of which an aggregate amount of RMB1,174.5 million has been settled during the three months ended September 30, 2011.

The following table sets forth our average trade and bills payables turnover days for the periods indicated:

	Year ended December 31,			Six Months Ended June 30,
	2008	2009	2010	2011
Average trade and bills payables turnover days[(1)]	40.3	24.1	23.8	35.2

Note:

(1) The average trade and bills payables turnover days for a certain period is the average of opening and closing trade and bills payables balances divided by cost of sales and services for that period and multiplied by 365 days for a year, or 183 days for a six-month period as applicable.

Our average trade and bills payables turnover days in 2009 decreased to 24.1 days from 40.3 days in 2008, primarily due to more rapid inventory turnover. We maintained very low trade receivables turnover days over the Track Record Period. The average trade and bill payables turnover days in 2010 remain relatively stable at 23.8 days compared to 24.1 days in 2009. Our average trade and bill payables turnover days during the six months ended June 30, 2011 increased to 35.2 days primarily due to our increased use of bank acceptance notes as part of our enhanced efforts to manage our cash flow and liquidity.

AMOUNTS DUE TO RELATED PARTIES

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our amounts due to related parties were RMB17.9 million, RMB148.8 million, RMB5.4 million and RMB1,144.0 million, respectively. We will settle all amounts due to our related parties prior to the Listing, other than an aggregate amount of RMB550 million due to Huakong Industry and Huakong Innovation as the consideration to purchase an aggregate equity interest of 3% in Shanghai Baoxin, which amount will be settled after the completion of our Global Offering. We plan to consummate this purchase within two weeks of the Listing Date. Please see section headed "Future Plans and Use of Proceeds" for details.

The following table sets forth our amounts due to related parties as of each date indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:				
The Controlling Shareholder				
— Mr. Yang Aihua	17,879	148,814	5,385	481,045
The then equity holders				
— Huakong (Tianjin) Innovation Fund	—	—	—	370,338
— Huakong (Tianjin) Industry Investment Fund	—	—	—	246,893
— Bentai Investment	—	—	—	23,166
— Hengjun Investment	—	—	—	16,989
— Chiheng Investment	—	—	—	5,560
	17,879	148,814	5,385	1,143,991

INDEBTEDNESS

Bank Loans and Other Borrowings

Our bank loans and other borrowings as of December 31, 2008, 2009 and 2010 and June 30, 2011 were RMB262.2 million, RMB548.0 million, RMB807.3 million and RMB1,182.5 million, respectively. Our bank loans and other borrowings increased during the Track Record Period due to our capital expenditures on new stores and increased working capital requirements due to our new stores and increased sales at our other stores.

	As of December 31,			As of June 30,	As of October 31,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current bank borrowings and other borrowings representing:					
Secured	86,320	154,259	262,772	390,554	806,158
Guaranteed	31,000	113,000	129,040	206,711	256,189
Unsecured	144,839	280,729	415,527	585,191	519,496
	262,159	547,988	807,339	1,182,456	1,581,843

None of the buildings owned by us was pledged as of December 31, 2008. Pledged buildings had an aggregate net book value of RMB24.3 million, RMB22.8 million and RMB22.1 million as of December 31, 2009 and 2010 and June 30, 2011. None of the land use rights held by us was pledged as

of December 31, 2008. Pledged land use rights had an aggregate net book value of RMB22.7 million, RMB36.1 million and RMB82.1 million as of December 31, 2009 and 2010 and June 30, 2011, respectively. Inventories pledged as security for our bank loans and other borrowings had an aggregate carrying value of RMB101.4 million, RMB139.5 million, RMB225.6 million and RMB382.6 million, respectively, as of December 31, 2008, 2009 and 2010 and June 30, 2011. The increases in our pledged land use rights and pledged inventories as of December 31, 2009 and 2010 and June 30, 2011 were primarily due to increased bank loans and other borrowings to finance our capital expenditures for new stores and our increased automobile purchases.

As of December 31, 2008, 2009 and 2010 and June 30, 2011, RMB31.0 million, RMB113.0 million, RMB129.0 million and RMB206.7 million, respectively, of our bank loans and other borrowings were guaranteed by Mr. Yang Aihua. All of the guarantees provided by Mr. Yang Aihua will be released prior to the Listing Date.

As of October 31, 2011, we had total bank credit facilities of approximately RMB4,025.7 million, of which approximately RMB2,584.5 million was utilized.

Statement of Indebtedness

As of October 31, 2011, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in the sub-section entitled "—Bank Loans and Other Borrowings" in this section, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities or guarantees. Since October 31, 2011, there has been no material adverse change in our indebtedness.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. 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. Since October 31, 2011, there has been no material adverse change in our contingent liabilities.

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 risks, including interest rate risk, credit risk and liquidity risk. Our Directors confirm that, since June 30, 2011, 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.

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. Our bank loans carried annual interest rates ranging from 5.8% to 9.0% in 2008 compared to 5.3% to 6.1% in 2009, 5.7% to 6.8% in 2010 and 5.8% to 7.9% in the six months ended June 30, 2011. Our borrowings from other financial institutions carried annual interest rates ranging from 7.5% to 8.2% in 2008, 5.6% to 7.8% in 2009, 6.4% to 8.1% in 2010 and

6.7% to 8.1% in the six months ended June 30, 2011. 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 can be adversely affected.

We do not have significant interest-bearing assets other than pledged bank deposits, which amounted to RMB496.8 million, and cash and cash equivalents, which amounted to RMB414.1 million, as of June 30, 2011, respectively.

Credit Risk

We do not have any significant concentration of credit risk. The carrying amounts of our bank deposits, cash in transit, cash and cash equivalents, trade and other receivables represent our maximum exposure to credit risk in relation to our financial assets. As of December 31, 2008, 2009 and 2010 and June 30, 2011, all of our 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 shortage of funds by using a recurring liquidity planning tool which considers the maturity of both our financial instruments and financial assets and projected cash flows from operations.

We conduct our capital management to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholder value. We manage our capital structure and make adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust our dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. We had not made any changes in our objectives, policies or processes for managing capital during the Track Record Period.

Foreign Exchange Risk

Substantially all of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. 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 may cause automobile manufacturers to raise their prices, 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. For more details, please refer to "Risk Factors—Fluctuation in the exchange rates of Renminbi may have a material adverse effect on your investment."

DISTRIBUTABLE RESERVES

Our Company was incorporated on September 6, 2010 and has not carried out any business since the date of incorporation. We did not record any distributable reserves as of December 31, 2010.

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 constitutional documents 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 as appear to them to be justified by our profits. 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 share premium account or any other fund or account which 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 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.

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 2008, our subsidiaries in China did not declare any dividends. In 2009, 2010 and the six months ended June 30, 2011, our subsidiaries in China declared dividends of RMB14.6 million, RMB4.4 million and RMB453.3 million, respectively. The dividends declared by our subsidiaries in 2009 and 2010, respectively, have been paid to Mr. Yang Aihua. The dividends declared by our subsidiaries in the six months ended June 30, 2011 will be funded by our internal resources and paid to our shareholders before the Listing Date. Our shareholders have resolved that an accumulated earnings of RMB227.6 million generated by our subsidiaries in China during the Track Record Period will be retained and used by these subsidiaries in China for further business development purposes when appropriate opportunities arise and will not be distributed in the foreseeable future. We currently intend to pay dividends of no more than 30% of our profits available for distribution of each accounting year beginning from the year ended December 31, 2011. 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 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.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

On the bases and assumptions set out in the section headed "Profit Forecast" in Appendix III to this prospectus and in the absence of unforeseen circumstances, certain profit forecast data of the Group for the year ending December 31, 2011 are set out below:

Consolidated forecast profit attributable to owners of the Company[1][2]	Not less than RMB600.0 million (approximately HK$735.7 million)
Unaudited pro forma forecast earnings per Share[3]	Not less than RMB0.237 (approximately HK$0.291)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 have been prepared are summarized in Appendix III to this prospectus.

(2) The consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 prepared by our Directors is based on the audited combined results of our Group for the six months ended June 30, 2011 and the unaudited consolidated results of our Group for the three months ended September 30, 2011 and a forecast of the consolidated results of our Group for the remaining three months ending December 31, 2011 on the basis that the current group structure had been in existence throughout the whole financial year ending December 31, 2011. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by our Group as set out in the Accountants' Report in Appendix I to this prospectus.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 by a total of 2,528,740,000 Shares in issue, assuming that the Global Offering has been completed on January 1, 2011 (without taking into account the Over-allotment Option).

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined 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 financial position of our Group had the Global Offering been completed as of June 30, 2011 or any future date. It is prepared based on our combined net assets as of June 30, 2011 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as of June 30, 2011	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000 *(Note 1)*	**RMB'000** *(Note 2)*	**RMB'000** *(Note 3)*	**RMB** *(Note 4)*	**(HK$ equivalent)** *(Note 5)*
Based on an offer price of HK$8.50 per Share	461,540	2,128,949	2,590,489	1.02	1.25
Based on an offer price of HK$10.80 per Share	461,540	2,720,909	3,182,449	1.26	1.54

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2011 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined equity attributable to owners of the Company as of June 30, 2011 of RMB463,804,000 less intangible assets as of June 30, 2011 of RMB2,264,000.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$8.50 or HK$10.80 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. Details of the valuations of the Group's properties as of October 31, 2011 are set out in "Appendix IV—Property Valuation". The revaluation surplus or deficit of properties included in buildings held for own use, construction in progress, land use rights and properties under development was not incorporated in the Group's combined financial statements for the six months ended June 30, 2011. If the revaluation surplus was recorded in the Group's combined financial statements, the annual depreciation expense would increase by approximately RMB0.2 million.

4. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,528,740,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2011 and an Offer Price of HK$8.50 per Share, being the low end of the Offer Price range, and 2,528,740,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2011 and an Offer Price of HK$10.80 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.

5. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8156, the prevailing rate quoted by the PBOC on November 24, 2011.

6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2011.

PROPERTY INTERESTS AND PROPERTY VALUATION

Savills Valuation and Professional Services Limited, an independent property valuer, has valued our property interests as of October 31, 2011. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation between the net book value of our Group's property interests as of June 30, 2011 and the valuation of such property interest as of October 31, 2011:

	(RMB'000)
Net book value of property interests of our Group as of June 30, 2011	
Buildings, land use rights and construction in progress	666,161
Movements for the four months ended October 31, 2011	
Add: Net addition during the period (unaudited)	64,792
Less: Depreciation and amortization during the period (unaudited)	(12,053)
Net book value as of October 31, 2011 (unaudited)	718,900
Less: Net book value of certain properties as of October 31, 2011 (unaudited)[(1)]	(456,221)
	262,679
Capital value of property interests as of October 31, 2011, as set out in the property valuation report in Appendix IV to this prospectus[(2)]	274,100
Valuation surplus	11,421

Note:

(1) As of October 31, 2011, we had not yet obtained valid titles or rights to use certain land use rights and properties with an aggregate net book value of RMB456,221,000. Our property valuer has valued it of no commercial value since it is not freely transferable.

(2) Capital value of property interests attributable to the Group as of October 31, 2011, as set out in the property valuation report in Appendix IV to this prospectus, was RMB264,780,000.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since June 30, 2011 and there is no event since June 30, 2011 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. Our Directors consider that all information necessary for the public to make an informed assessment of the activities and financial position of our Group has been included in this prospectus.

FUTURE PLANS

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

USE OF PROCEEDS

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

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

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

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

- approximately 80% (or approximately HK$1,839 million based on the mid-point of the Offer Price range) for the expansion of our 4S dealership store network through organic growth and, if suitable opportunities arise, through selective acquisitions, alliances, joint ventures and other strategic investments. Certain details of our expansion plan of 4S dealership store network are set out below in "—Expansion Plan";

- approximately 5% (or approximately HK$115 million based on the mid-point of the Offer Price range) for the establishment of additional authorized repair centers and to upgrade and expand our after-sales service capabilities and capacity including expanding the after-sales service areas of our existing 4S dealership stores, purchasing related equipment and hiring additional after sales services technicians and other after-sales personnel. Certain details of our expansion plan of additional authorized repair centers are set out below in "—Expansion Plan";

- approximately 5% (or approximately HK$115 million based on the mid-point of the Offer Price range) for the general upgrading, maintenance and refurbishment of our existing 4S dealership stores; and

- approximately 10% (or approximately HK$230 million, based on the mid-point of the Offer Price range) for working capital and other general corporate purposes.

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

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

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

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

Expansion Plan

As of the Latest Practicable Date, we had received automobile manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 14 luxury and ultra-luxury brand 4S dealership stores, showrooms and repair center. Our showrooms engage in sales of automobiles

but do not offer after-sales services. See "Industry Overview—The PRC Passenger Vehicle Market—Luxury and ultra-luxury passenger vehicles outpaced the growth of the overall market" for our categorization of luxury, ultra-luxury, mid-to-upper and low end passenger vehicles. The details of these stores are described below:

Geographical Location	Brand	Store Type	Actual/Planned Commencement Date
Ningbo, Zhejiang Province	BMW	Showroom	November 2011
Qingdao, Shandong Province	BMW	Showroom	November 2011
Tianjin	BMW	Showroom	November 2011
Zibo, Shandong Province	Land Rover & Jaguar	4S store	November 2011
Dandong, Liaoning Province	BMW	4S store	December 2011
Tianjin	Land Rover & Jaguar	4S store	1st quarter of 2012
Dongguan, Guangdong Province	BMW	4S store	2nd quarter of 2012
Wuxi, Jiangsu Province	BMW	4S store	2nd quarter of 2012
Yantai, Shandong Province	BMW	4S store	2nd quarter of 2012
Fuyang, Zhejiang Province	BMW	4S store	2nd quarter of 2012
Shanghai	Audi	4S store	2nd quarter of 2012
Shenyang, Liaoning Province	BMW	Repair center	2nd quarter of 2012
Beijing	BMW	4S store	2nd quarter of 2012
Shanghai	BMW	4S store	4th quarter of 2012

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

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

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

HONG KONG UNDERWRITERS

Joint Bookrunners

Morgan Stanley Asia Limited
J.P. Morgan Securities (Asia Pacific) Limited
CMB International Capital Limited

Joint Lead Managers

Morgan Stanley Asia Limited
J.P. Morgan Securities (Asia Pacific) Limited
CMB International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement we are offering 37,932,000 Hong Kong Offer Shares (subject to adjustment) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued and/or sold pursuant to the exercise of the Over-allotment Option); and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if at any time prior to 8:00 a.m. on the Listing Date:

(i) there shall develop, occur, exist or come into effect:

(1) any event or a series of events, 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, the imposition of economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, 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) involving, directly or indirectly, by or for, any of Hong Kong, the PRC, the United States, the United Kingdom or the European Union or any member thereof, Japan, the Cayman Islands or the British Virgin Islands (each a "**Relevant Jurisdiction**"); or

(2) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting the Relevant Jurisdictions; or

(3) 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 Hong Kong Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(4) 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 member thereof), Japan, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(5) any new law or regulation or any change or development involving a prospective change or development in existing laws or the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(6) a change or development involving a prospective change or development in 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 more restrictive exchange control in Hong Kong or the PRC or the implementation of exchange control in any other Relevant Jurisdiction; or

(7) any adverse change or prospective adverse change in the earnings or results of operations, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of the Group (including any litigation or claim of any third party being threatened or instigated against the Company or any member of the Group); or

(8) 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

(9) the chairman or chief financial officer of the Company vacating his or her office; or

(10) an authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action, or publicly announcing an intention to investigate or take other action, against any Director; or

(11) a contravention by any member of the Group of, or non-compliance of this 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 applicable laws; or

(12) a prohibition on the Company for whatever reason from allotting or selling any of the Shares (including the Shares offered pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(13) other than with prior written consent of the Joint Bookrunners, 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 Hong Kong Stock Exchange and/or the SFC; or

(14) 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,

which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), (a) has resulted or will or may result in a material adverse change, or any development involving a prospective material adverse change, 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 the Group as a whole; or (b) has or will have or may 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 (c) makes or will make or may make it inadvisable or inexpedient or impracticable for any part of the Global Offering to be performed or implemented or proceed as contemplated by this prospectus or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (d) has or will have or may have the effect

of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Bookrunners:

(1) that any statement contained in any of this prospectus, the Application Forms, web proof information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (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, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(2) 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 this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(3) any material 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 Hong Kong Underwriters or the International Underwriters); or

(4) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the Hong Kong Underwriting Agreement; or

(5) any adverse change or development involving material adverse change, or any development involving a prospective material adverse change, 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 the Group as a whole; or

(6) approval by the Listing Committee of the Hong Kong Stock Exchange 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, such approval is subsequently withdrawn, qualified (other than by customary conditions) or revoked; or

(7) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) may, upon giving notice (orally or in writing) to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

(b) International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we, the Controlling Shareholders and the Selling Shareholder will enter into the International Underwriting Agreement with the International Underwriters and the Joint Bookrunners. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We and the Selling Shareholder expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Global Coordinator on behalf of the International Underwriters, after consultation with the Joint Bookrunners from the Listing Date until and including the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering, to require us and/or the Selling Shareholder to issue and/or sell up to an aggregate of 56,898,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering. Out of the 56,898,000 Shares, 28,449,000 Shares are expected to be issued by us, with the remaining 28,449,000 Shares to be sold by the Selling Shareholder.

(c) Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings of the Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), 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**"), the Company hereby undertakes to each of the Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors 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 Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(1) 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 an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any 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 any shares of such other member of the Group, as applicable); or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any 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 any shares of such other member of the Group, as applicable); or

(3) enter into any transaction with the same economic effect as any transaction specified in (1) or (2) above; or

(4) offer to or agree to or announce any intention to effect any transaction specified in (1), (2) or (3) above,

in each case, whether any of the transactions specified in (1), (2) or (3) above is to be settled by delivery of Shares or such other securities of the 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 Shares or such other securities will be completed within the aforesaid period), provided that, in the case of any shares or securities of a subsidiary of the Company, the above restriction would not apply if, in view of the Company and the Joint Bookrunners, any such transaction would not result in a material adverse change to the Group. 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**"), the Company enters into any of the transactions specified in (1), (2) or (3) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each of the Controlling Shareholders undertakes to each of the Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors to procure the Company to comply with the undertakings above.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders hereby undertakes to each of the Company, the Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its associates will:

(1) during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) not involving a change of legal ownership of such Shares (other than on enforcement) for a bona fide commercial loan in compliance with the Listing Rules), 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, either directly or indirectly, conditionally or unconditionally, any Shares or any 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, as applicable) (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), 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 Shares or any 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 (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (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, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company; and

(3) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offer 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.

Each of the Controlling Shareholders has undertaken to each of our Company, the Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that it will at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date, immediately inform the Company, the Global Coordinator, the Joint Bookrunners and the Joint Sponsors of:

(1) any pledges or charges of any Shares or other securities of the Company beneficially owned by it, together with the number of Shares or other securities of the Company so pledged or charged and the purpose for which such pledge or charge is to be created; and

(2) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of the Company pledged or charged that such Shares or other securities of the Company so pledged or charged will be disposed of.

Our Company has agreed and undertaken to each of the Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that upon receiving such information in writing from any of the Controlling Shareholders, our Company shall, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information in accordance with the Listing Rules.

(d) Undertaking by Others

Each of Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P., Innovation Capital, L.P., Full Establish Global Trading Limited, Goffee Limited and Moral Grand Limited (together, the "**Investors**") has undertaken, severally and not jointly, to each of the Joint Bookrunners that such Investor shall not and shall procure that the relevant registered holder(s) of the Shares in respect of which are currently directly or indirectly owned by such Investor (the "**Investor Shares**") shall not, without the prior written consent of the Joint Bookrunners and unless in compliance with the requirements of the Listing Rules, at any time during the period of six months commencing on the date on which dealings in the Shares commence on the Hong Kong Stock Exchange.

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) not involving a change of legal ownership of such Investor Shares other than on enforcement) for a bona fide commercial loan), 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 any 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 of its respective Investor Shares (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 of its respective Investor Shares, as applicable);

(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 its respective Investor Shares 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 of its respective Investor Shares);

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Investor Shares, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

The above restrictions (i) to (iv) shall not apply (A) where the above arrangements or transactions are entered into, undertaken or consummated pursuant to a requirement of a governmental authority, a court of law, an arbitral tribunal or a requirement of any applicable law; or (B) to transactions relating to the Investor Shares or other securities of the Company acquired in the open market after completion of the Global Offering.

Notwithstanding the above restrictions, an Investor may transfer its respective Investor Shares to any of its affiliates, whether directly or indirectly; provided, that, such affiliates shall enter into an undertaking letter in the form and substance same as this lock-up undertaking letter for a period ending on the last date of the six-month period commencing on the date on which dealings in the Shares commence on the Hong Kong Stock Exchange.

(e) Underwriting Commission and Listing Expenses

The Hong Kong Underwriters will receive a gross underwriting commission of 2.75% of the aggregate Offer Price payable for Hong Kong Offer Shares initially offered under the Hong Kong Underwriting Agreement. For unsubscribed 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 and not the Hong Kong Underwriters.

The aggregate commissions and fees, including the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK$199 million in aggregate (based on an Offer Price of HK$9.65 per Share, being the mid-point of the stated price range of the Offer Price between HK$8.50 and HK$10.80 per Share, and the assumption that the Over-allotment Option is not exercised), are to be borne by us and the Selling Shareholder as agreed between parties.

(f) Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

(g) Hong Kong Underwriters' Interests in Our Company

Save for its obligations under the relevant Underwriting Agreement(s) or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

(h) Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited is the Global Coordinator and Morgan Stanley Asia Limited, J.P. Morgan Securities Ltd. (and in the case of the Hong Kong Public Offering, J.P. Morgan Securities (Asia Pacific) Limited) and CMB International Capital Limited are the Joint Bookrunners for the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of initially 37,932,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the section headed "—The Hong Kong Public Offering"; and

(b) the International Offering of initially 341,388,000 Shares, consisting of 290,808,000 new Shares and 50,580,000 Sale Shares (subject to re-allocation and the Over-allotment Option as mentioned below) in the United States with QIBs in reliance on Rule 144A or another exemption under the U.S. Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong. The International Offering will involve selective marketing of our Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to re-allocation as described in the section headed "Structure of the Global Offering—Pricing and Allocation" in this prospectus.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around December 7, 2011 and in any event, no later than December 8, 2011.

The Offer Price will be not more than HK$10.80 per Share and is expected not to be less than HK$8.50 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as 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 stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with our consent) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time 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 December 7, 2011, being 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), on the Stock Exchange's website at **www.hkexnews.hk** and on the Company's website at **www.klbaoxin.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change 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 number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, solely because the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range is so reduced.

The 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 Bookrunners.

Allocation of our Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be 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. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

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, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean 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 applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on December 13, 2011 through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares—Results of Allocations" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of any application for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and any Shares which may be issued pursuant to the Capitalization Issue and upon the exercise of the Over-allotment Option;
- the Offer Price being duly determined;
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (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 that is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by December 8, 2011 between the Joint Bookrunners (on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause notice of the lapse of the Hong Kong Public Offering to 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 the Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on December 13, 2011 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on December 14, 2011, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 37,932,000 new Shares at the Offer Price, representing 10% of the 379,320,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the re-allocation 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 1.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering, will not be allotted Offer Shares in the International Offering.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$10.80 and is expected to be not less than HK$8.50. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK$10.80 per Share plus 1% brokerage fee, 0.003% SFC transaction levy, and 0.005% Hong Kong Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$10.80, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Allocation

For allocation purposes only, the Hong Kong Offer Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into 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 undersubscribed, 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 and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares

to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean 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. Multiple or suspected multiple applications within Pool A or Pool B, and between the two pools and any application for more than 50% of the 37,932,000 Shares initially comprised in the Hong Kong Public Offering (that is 18,966,000 Hong Kong Offer Shares) are liable to be rejected. 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 indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Hong Kong Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to a minimum of 113,796,000, 151,728,000 and 189,660,000 Hong Kong Offer Shares, respectively, representing 30% in the case of (i), 40% in the case of (ii) and 50% in the case of (iii), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Bookrunners may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

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 has 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 will 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$10.80 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing and Allocation" above, is less than the maximum price of HK$10.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong 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 "How to Apply for the Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 341,388,000 Offer Shares comprising 290,808,000 new Shares and 50,580,000 Sale Shares, representing 90% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional. 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 the International Offering will represent 13.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocations

Pursuant to the International Offering, the International Underwriters will conditionally place new Shares and the Sale Shares with QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as with institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Over-allotment Option

We and the Selling Shareholder expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Global Coordinator on behalf of the International Underwriters, after consultation with the Joint Bookrunners from the Listing Date until and including the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering, to require us and/or the Selling Shareholder to issue and/or sell up to an aggregate of 56,898,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering. Out of the 56,898,000 Shares, 28,449,000 Shares are expected to be issued by us, with the remaining 28,449,000 Shares to be sold by the Selling Shareholder. These Shares will be offered at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

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 new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are short sales made in an amount not greater than the Over-allotment Option and "covered" short position is any short position, including any such position created as a result of any covered short sales or other sales, in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by exercising the Over-allotment Option to purchase additional Shares, purchasing Shares in the open market or through stock borrowing arrangements or a combination of these means.

In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be issued under the Over-allotment Option, namely 56,898,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the 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 the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the 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 the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those

purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager which may also take place during the stabilization period, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on January 6, 2012, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

For the purpose of covering any covered short position, including any covered short position created by over-allocations, the Stabilizing Manager or its affiliates may borrow from Baoxin Investment up to 56,898,000 Shares, equivalent to the maximum number of Shares to be sold on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager (or its affiliates acting on its behalf) and Baoxin Investment on or about the Price Determination Date. The loan of Shares by Baoxin Investment pursuant to the Stock Borrowing Agreement shall not be subject to the non-disposal undertakings given by the Controlling Shareholders to the Hong Kong Stock Exchange and the Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters (See "Underwriting—Underwriting Arrangements and

Expenses—(c) Undertakings pursuant to the Hong Kong Underwriting Agreement") which restrict the disposal of Shares by Baoxin Investment subsequent to the date of the Hong Kong Underwriting Agreement, subject to compliance with the following requirements:

(i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;

(ii) the maximum number of Shares which may be borrowed from Baoxin Investment must not exceed the maximum number of Shares which may be sold upon the full exercise of the Over-allotment Option;

(iii) subject to any arrangement relating to the sale of up to 28,449,000 Shares by our Selling Shareholder pursuant to the exercise of the Over-allotment Option, the same number of Shares so borrowed must be returned to Baoxin Investment or its nominees, as the case may be, on or before three Business Days following the earlier of (a) the last date on which the Over-allotment Option may be exercised, and (b) the date on which the Over-allotment Option is exercised in full; and

(iv) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 14, 2011, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on December 14, 2011.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date and subject to the other conditions set out in the section headed "Conditions of the Hong Kong Public Offering" above.

We expect shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S), or a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Bookrunners (or its respective agents or nominees) may accept it at their discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners, or the designated **White Form eIPO** Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- applying online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the **White Form eIPO** service; or
- giving **electronic application instructions** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name;

- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

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 December 2, 2011 until 12:00 noon on December 7, 2011 from:

Any of the following addresses of the Hong Kong Underwriters:

Morgan Stanley Asia Limited	46th Floor, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited . .	28/F, Chater House 8 Connaught Road Central Hong Kong
CMB International Securities Limited.	Units 1803–4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island .	Bank of China Tower Branch	3/F, 1 Garden Road, Central
	North Point (Kiu Fai Mansion) Branch	413–415 King's Road, North Point
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	United Centre Branch	Shop 1021, United Centre, 95 Queensway, Admiralty
Kowloon	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
New Territories . . .	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island .	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Causeway Bay Branch	G/F, Yee Wah Mansion, 38–40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Hung Hom Comm Centre Branch	Shop 33–37 G/F, Hunghom Commercial Centre, 37–39 Ma Tau Wei Road, Hung Hom
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories . . .	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on December 2, 2011 to 12:00 noon on December 7, 2011 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, December 7, 2011, or, if the application lists are not open on that day, by the time and date stated in the section headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed "Where to collect the Application Forms" at the following times:

Friday, December 2, 2011	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, December 3, 2011	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, December 5, 2011	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, December 6, 2011	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, December 7, 2011	**—**	**9:00 a.m. to 12:00 noon**

Electronic Application Instructions to HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Friday, December 2, 2011	**—**	**9:00 a.m. to 8:30 p.m.[(1)]**
Saturday, December 3, 2011	**—**	**8:00 a.m. to 1:00 p.m.[(1)]**
Monday, December 5, 2011	**—**	**8:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, December 6, 2011	**—**	**8:00 a.m. to 8:30 p.m.[(1)]**
Wednesday, December 7, 2011	**—**	**8:00 a.m.[(1)] to 12:00 p.m.**

(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 December 2, 2011 until 12:00 noon on December 7, 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on December 7, 2011 or if the application lists are not open on that day, by the time and date stated in the section headed "Effect of bad weather conditions on the opening of the application lists" below.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on December 2, 2011 until 11:30 a.m. on December 7, 2011 or such later time as described under the section headed "Effect of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on December 7, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "Effect of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **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 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.

Application Lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on December 7, 2011, except as provided in the section headed "—Effect of bad weather conditions on the opening of the application lists" below. Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

Effect of Bad Weather Conditions on the Opening of the Application Lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on December 7, 2011, subject only to weather conditions. The application lists will not open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on December 7, 2011. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

Obtain a WHITE or YELLOW Application Form

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying check(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe for. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$10.80 per Hong Kong Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Shares you will pay HK$5,454.43. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 18,966,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 500 Shares. Application for more than 500 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Joint Bookrunners (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one check or one banker's cashier order.

If you pay by check, the check must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the check, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Bank of China (Hong Kong) Nominees Limited—Baoxin Auto Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your check does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;

- be in Hong Kong dollars;

- not be post-dated;

- be made payable to "Bank of China (Hong Kong) Nominees Limited—Baoxin Auto Public Offer"; and

- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed "How many applications you can make" below.

You should note that by signing the Application Form, among other things:

(i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Selling Shareholder, the Global Coordinator, the Joint Bookrunners, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

(ii) you agree that our Company, the Selling Shareholder, the Global Coordinator, the Joint Bookrunners, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering; and

(iv) you agree to disclose to us, the Selling Shareholder, the Hong Kong Share Registrar, receiving banks, advisers, agents and the Joint Bookrunners and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**

  — the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.

- **If you are applying as an individual CCASS Investor Participant:**

  — you must fill in your name and your Hong Kong identity card number; and

  — you must insert your CCASS Participant I.D. in the appropriate box.

- **If you are applying as a joint individual CCASS Investor Participant:**

  — you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and

  — you must insert your CCASS Participant I.D. in the appropriate box.

- **If you are applying as a corporate CCASS Investor Participant:**

  — you must insert your company name and your company's Hong Kong business registration number; and

  — you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by the Joint Bookrunners, our Company, the Selling Shareholder, the Hong Kong Share Registrar, receiving banks, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

— an account number; or

— another identification number

for each beneficial owner or in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the **WHITE** or **YELLOW** Application Form or **electronic application instructions** is the only application which 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 through the **White Form eIPO** service; or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.

(b) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**);

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**);

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**) to apply for more than 18,966,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially being offered for subscription by the public); or

- apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.

(c) **All** of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions** or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**)). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) 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 Hong Kong Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that 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).

HOW TO APPLY THROUGH WHITE FORM eIPO

(a) If you are an individual and meet the criteria set out in the section headed "How to Apply for the Hong Kong Offer Shares—Who Can Apply for Hong Kong Offer Shares", you may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

(c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

(e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the section headed "How to Apply for the Hong Kong Offer Shares—When to Apply for the Hong Kong Offer Shares—White Form eIPO".

(g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, December 7, 2011, or such later time as described under the section headed "When to Apply for the Hong Kong Offer Shares—Effect of bad weather conditions on the opening of the application lists" the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for the 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 application reference number will not constitute an actual application.

(i) **Warning: The application for Hong Kong Offer Shares through the White Form eIPO service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, the Selling Shareholder, our Directors, the Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Joint Lead Managers take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "Baoxin Auto Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See "—How Many Applications You Can Make".

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk.**

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System *(https://ip.ccass.com)* (according to the procedures contained 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 come 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.

Prospectuses are available for collection from the above 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 Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

Minimum subscription amount and permitted numbers

You may give **electronic application instructions** in respect of a minimum of 500 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does all the things on behalf of each of such persons who:

- **agrees** 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 to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf;

- **undertakes and agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- **undertakes and confirms** that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;

- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by our Company, the Directors and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Selling Shareholder, the Global Coordinator, the Joint Bookrunners, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- **agrees** that our Company, the Selling Shareholder, the Global Coordinator, the Joint Bookrunners, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

- **agrees** to disclose that person's personal data to our Company, the Selling Shareholder, the Hong Kong Share Registrar, receiving banks, advisers, agents and the Joint Bookrunners and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when that person gives 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 on or before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is 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 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 Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and

- **agrees** that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

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 will be liable to our 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, the SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful

application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Hong Kong 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 which it is stated to do on your behalf in the **WHITE** Application Form.

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 in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purpose 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 each such instruction is given shall be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.

- 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 the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on December 13, 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) in the manner as described in the section headed "—Results of Allocations" below on December 13, 2011. The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on December 13, 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on December 13, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- 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 December 13, 2011. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any 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 initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on December 13, 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our 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 Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Selling Shareholder, our Directors, the Global Coordinator, the Joint Bookrunners, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Center to complete an application instruction input request form for electronic application instructions before 12:00 noon on Wednesday, December 7, 2011 or such later time as described in the section headed "Effect of bad weather conditions on the opening of the Application Lists" above.

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$10.80 per Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Shares you will pay HK$5,454.43. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares applied for up to 18,966,000 Shares. If the Offer Price as finally determined is less than HK$10.80 per Share, appropriate refund payments (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out below in "—Dispatch/Collection of Share Certificates and Refund Monies."

You must pay the maximum Offer Price and related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for the Hong Kong Offer Shares by a cheque or a 'banker's cashier order in accordance with the terms set out in the Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Hong Kong Offer Shares will be allotted to such applicant.

If your application is successful, brokerage is paid to the Hong Kong Stock Exchange or its participants (as the case may be), the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange, and the SFC transaction levy is paid to the SFC.

RESULTS OF ALLOCATIONS

The applicable 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 Hong Kong Offer Shares are expected to be announced on December 13, 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at **www.hkexnews.hk**;

- Results of allocations will also be available from our website at **www.klbaoxin.com** and our results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, December 13, 2011 to 12:00 midnight on Monday December 19, 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, December 13, 2011 to Friday, December 16, 2011;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, December 13, 2011 to Thursday, December 15, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for the Hong Kong Offer Shares—Where to Collect the Application Forms".

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there 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:

(a) for applicants on **WHITE** and **YELLOW** Application Forms or by **White Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or

(b) for applicants on **WHITE** and **YELLOW** Application Forms, refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is different from the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% but without interest.

(c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price per Offer Share paid on application, e-Refund payment instructions (if any) will be despatched to the application payment account.

(d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund check(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under the **WHITE** Application Form or to the **White Form eIPO** Service Provider via the **White Form eIPO** service are expected to be posted on or before Tuesday, December 13, 2011. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of check(s).

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, 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 Tuesday, December 13, 2011. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(s) and Share certificate(s) within the time period specified for collection, they will be despatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on you Application Form that you will collect your refund check(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund check(s) (where applicable) will be despatched to the address on your Application Form on or before Tuesday, December 13, 2011 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, December 13, 2011, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a 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, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner as described in the section headed "—Results of Allocations" above on Tuesday, December 13, 2011. You should check the announcement published by us and report any

discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 13, 2011 or such other date as will be 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 (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, December 13, 2011, by ordinary post and at your own risk.

(c) If you apply through White Form eIPO service:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your share certificate(s) in person from our Hong Kong Share Registrar, 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 Tuesday, December 13, 2011, or such other date as notified by our Company in the newspapers as the date of despatch/collection of e-Refund payment instructions/refund cheque(s)/share certificate(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 to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares but have not indicated on you application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before Tuesday, December 13, 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to the application payment account on or before Tuesday, December 13, 2011.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, refund check(s)

will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before Tuesday, December 13, 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider is set out in this section headed "Applying through White Form eIPO—Additional Information" of this prospectus.

(d) If you apply through giving electronic application instructions through HKSCC Nominees:

If you apply by giving **electronic application instructions** to HKSCC, and you 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 the stock account of the CCASS Participant which you have instructed to give **electronic application instruction** on your behalf or your CCASS Investor Participant stock account on Tuesday, December 13, 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply by giving **electronic application instructions** through HKSCC Nominees, you should check the results published by us in accordance with the details set out in the section headed "Results of Allocations" and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 13, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

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 (by using a **YELLOW** Application Form or giving **electronic application instructions** to HKSCC Nominees), 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 Tuesday, December 13, 2011. Immediately after the credit of Hong Kong Offer Shares to your CCASS Investor Participant 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.

If you apply through giving **electronic application instructions** to HKSCC, and your application is wholly or partially unsuccessful and/or the Offer Price is different from the price per Offer Share initially paid on your application, in each case including brokerage fee at the rate of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% but without interest, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 13, 2011.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf through the **White Form eIPO** service), and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction**, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominee 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.

(b) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Offering:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** Service electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) If our Company, the Joint Bookrunners or their respective agents exercise their discretion:

Our Company, the Joint Bookrunners, **White Form eIPO** Service Provider (where applicable) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set forth in the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;

- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;

- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or

- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunners, checks for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on December 13, 2011 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on December 14, 2011.

- The Shares will be traded in board lots of 500 each. The stock code of the Shares is 1293.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Hong Kong Stock Exchange grants the listing of, and permission to deal in the Shares and our Company 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 on the Hong Kong Stock Exchange or any other date HKSCC chooses.

  Settlement of transactions between participants of the Hong Kong 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 advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

安永 ERNST & YOUNG

18th Floor
Two International Finance Center
8 Finance Street
Central, Hong Kong

December 2, 2011

The Directors
Baoxin Auto Group Limited
Morgan Stanley Asia Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information of Baoxin Auto Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2008, 2009 and 2010, and the six months period ended June 30, 2011 (the "Relevant Periods"), and the combined statements of financial position of the Group as at December 31, 2008, 2009 and 2010 and June 30, 2011 and the statements of financial position of the Company as at December 31, 2010 and June 30, 2011, together with the notes thereto (the "Financial Information"), and the comparative combined income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months period ended June 30, 2010 (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 December 2, 2011 (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 September 6, 2010. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 2.1 of Section II below, which was completed on August 4, 2011, the Company became the holding company of the subsidiaries now comprising the Group. 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.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 39 of Section II below. All companies now comprising the Group have adopted December 31 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 39 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined 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 December 31, 2008, 2009 and 2010, and the six months period ended June 30, 2011 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, the Financial Information and the Interim Comparative 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, the Financial Information and the Interim Comparative 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 and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion 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 Engagement 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 December 31, 2010 and June 30, 2011, and the Group as at December 31, 2008, 2009 and 2010 and June 30, 2011 and of the combined 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 and the Interim Comparative Information of the Group for the Relevant Periods prepared on the basis set out in Note 2.1 of Section II:

1. Combined Income Statements

		Year ended December 31,			Six-month period ended June 30,	
	Section II Notes	2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	*5(a)*	3,701,261	5,164,730	7,716,564	3,392,733	5,233,328
Cost of sales and services provided	*6(b)*	(3,445,172)	(4,726,644)	(7,028,566)	(3,090,381)	(4,714,265)
Gross profit		256,089	438,086	687,998	302,352	519,063
Other income and gains, net	*5(b)*	12,903	26,965	37,482	16,654	38,414
Selling and distribution costs		(97,892)	(133,756)	(177,100)	(82,195)	(131,761)
Administrative expenses		(53,469)	(68,596)	(90,985)	(42,119)	(90,997)
Profit from operations		117,631	262,699	457,395	194,692	334,719
Finance costs	*7*	(39,671)	(26,033)	(48,378)	(19,378)	(48,076)
Share of (loss)/profit of a jointly-controlled entity	*17(b)*	—	(33)	2,907	118	2,275
Profit before tax	*6*	77,960	236,633	411,924	175,432	288,918
Tax	*8(a)*	(20,504)	(60,788)	(104,266)	(44,239)	(75,014)
Profit for the year/period		57,456	175,845	307,658	131,193	213,904
Attributable to:						
Owners of the parent		57,673	174,756	303,940	129,298	204,013
Non-controlling interests		(217)	1,089	3,718	1,895	9,891
		57,456	175,845	307,658	131,193	213,904
Earnings per share attributable to equity holders of the parent	*12*	N/A	N/A	N/A	N/A	N/A

2. Combined Statements of Comprehensive Income

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD	57,456	175,845	307,658	131,193	213,904
Total comprehensive income for the year/period, net of tax	57,456	175,845	307,658	131,193	213,904
Attributable to:					
Owners of the parent	57,673	174,756	303,940	129,298	204,013
Non-controlling interests	(217)	1,089	3,718	1,895	9,891
	57,456	175,845	307,658	131,193	213,904

3. Combined Statements of Financial Position

	Section II Notes	December 31, 2008 RMB'000	December 31, 2009 RMB'000	December 31, 2010 RMB'000	June 30, 2011 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	280,982	409,274	520,707	664,000
Land use rights	*14*	74,296	72,638	327,938	175,163
Intangible assets	*15*	—	—	—	2,264
Prepayments	*16*	2,110	2,171	7,554	12,125
Interest in a jointly-controlled entity	*17*	—	4,967	7,874	10,149
Deferred tax assets	*28*	6,371	5,782	6,549	9,171
Total non-current assets		363,759	494,832	870,622	872,872
CURRENT ASSETS					
Inventories	*18*	359,894	420,165	737,953	1,515,202
Trade receivables	*19*	28,849	41,736	42,847	54,253
Prepayments, deposits and other receivables	*20*	214,596	478,905	897,726	1,078,113
Amounts due from a related party	*36(b)(i)*	—	1,000	33,900	37,835
Pledged bank deposits	*21*	111,971	163,623	276,149	496,818
Cash in transit	*22*	7,550	17,423	14,022	33,660
Cash and cash equivalents	*23*	86,194	212,793	384,476	414,099
Total current assets		809,054	1,335,645	2,387,073	3,629,980
CURRENT LIABILITIES					
Bank loans and other borrowings	*24*	262,159	547,988	807,339	1,182,456
Trade and bills payables	*25*	297,836	327,593	589,645	1,222,511
Dividends payable		—	—	—	4,932
Other payables and accruals	*26*	130,186	170,324	164,375	281,564
Amounts due to related parties	*36(b)(ii)*	17,879	148,814	5,385	1,143,991
Income tax payable		18,196	69,804	152,713	176,607
Total current liabilities		726,256	1,264,523	1,719,457	4,012,061
NET CURRENT ASSETS/ (LIABILITIES)		82,798	71,122	667,616	(382,081)
TOTAL ASSETS LESS CURRENT LIABILITIES		446,557	565,954	1,538,238	490,791
NET ASSETS		446,557	565,954	1,538,238	490,791
EQUITY					
Equity attributable to owners of the parent					
Share capital	*29*	—	—	—	—
Reserves	*30*	443,926	562,234	1,465,573	463,804
		443,926	562,234	1,465,573	463,804
Non-controlling interests		2,631	3,720	72,665	26,987
Total equity		446,557	565,954	1,538,238	490,791

4. Combined Statements of Changes in Equity

	Attributable to owners of the parent							
	Share capital *Note 29*	Statutory reserve *Note 30(i)*	Merger reserve *Note 30(ii)*	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000 *	RMB'000 *	RMB'000 *	RMB'000 *	RMB'000	RMB'000	RMB'000
At January 1, 2008	**—**	**22,043**	**150,900**	**—**	**175,310**	**348,253**	**1,848**	**350,101**
Contribution by the then equity holders	—	—	39,000	—	—	39,000	—	39,000
Disposal of interest in a subsidiary to a non-controlling shareholder without loss of control	—	—	(1,000)	—	—	(1,000)	1,000	—
Transfer from retained profits	—	6,073	—	—	(6,073)	—	—	—
Comprehensive income for the year	—	—	—	—	57,673	57,673	(217)	57,456
At December 31, 2008	**—**	**28,116**	**188,900**	**—**	**226,910**	**443,926**	**2,631**	**446,557**
Acquisition of equity interests by the Group from the then equity holders	—	—	(41,800)	—	—	(41,800)	—	(41,800)
Dividends paid to the then equity holders of the subsidiaries	—	—	—	—	(14,648)	(14,648)	—	(14,648)
Transfer from retained profits	—	21,290	—	—	(21,290)	—	—	—
Comprehensive income for the year	—	—	—	—	174,756	174,756	1,089	175,845
At December 31, 2009	**—**	**49,406**	**147,100**	**—**	**365,728**	**562,234**	**3,720**	**565,954**
Acquisition of equity interests by the Group from the then equity holders	—	—	(146,000)	—	—	(146,000)	—	(146,000)
Contribution by the then equity holders	—	—	710,125	—	—	710,125	45,327	755,452
Non-controlling interest arising from establishing of new subsidiaries	—	—	—	—	—	—	7,900	7,900
Dividends paid to the then equity holders	—	—	—	—	(4,401)	(4,401)	—	(4,401)
Transfer from retained profits	—	31,421	—	—	(31,421)	—	—	—
Disposal of interest in a subsidiary to a non-controlling shareholder without loss of control	—	—	39,675	—	—	39,675	12,000	51,675
Comprehensive income for the year	—	—	—	—	303,940	303,940	3,718	307,658
At December 31, 2010	**—**	**80,827**	**750,900**	**—**	**633,846**	**1,465,573**	**72,665**	**1,538,238**
Acquisition of equity interests by the Group from the then equity holders	—	—	(291,251)	—	—	(291,251)	—	(291,251)
Contribution by the then equity holders	—	—	40,000	—	—	40,000	—	40,000
Non-controlling interest arising from establishing of a new subsidiary	—	—	—	—	—	—	1,000	1,000
Deemed distribution to equity holders of the Company pursuant to the Reorganisation *(Note 31)*	—	—	(7,794)	—	—	(7,794)	—	(7,794)
Dividends paid to the then equity holders	—	—	—	—	(434,922)	(434,922)	—	(434,922)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	(18,384)	(18,384)
Acquisition of non-controlling interests by the Group	—	—	(511,815)	—	—	(511,815)	(38,185)	(550,000)
Comprehensive income for the period.	—	—	—	—	204,013	204,013	9,891	213,904
At June 30, 2011	**—**	**80,827**	**(19,960)**	**—**	**402,937**	**463,804**	**26,987**	**490,791**
At December 31, 2009	**—**	**49,406**	**147,100**	**—**	**365,728**	**562,234**	**3,720**	**565,954**
Contribution by the then equity holders	—	—	17,000	—	—	17,000	—	17,000
Non-controlling interest arising from establishing of new subsidiaries	—	—	—	—	—	—	7,900	7,900
Disposal of interest in a subsidiary to a non-controlling interest without loss of control	—	—	39,675	—	—	39,675	12,000	51,675
Comprehensive income for the period.	—	—	—	—	129,298	129,298	1,895	131,193
At June 30, 2010 (unaudited)	**—**	**49,406**	**203,775**	**—**	**495,026**	**748,207**	**25,515**	**773,722**

* *These reserve accounts comprise the combined reserves of RMB443,926,000, RMB562,234,000, RMB1,465,573,000, RMB463,804,000 and RMB748,207,000 in the combined statements of financial position as at December 31, 2008, December 31, 2009, December 31, 2010, June 30, 2011 and June 30, 2010, respectively.*

5. Combined Cash Flow Statements

		Year ended December 31,			Six-month period ended June 30,	
	Section II	2008	2009	2010	2010	2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before tax		77,960	236,633	411,924	175,432	288,918
Adjustments for:						
— Share of loss/ (profit) of a jointly-controlled entity		—	33	(2,907)	(118)	(2,275)
— Depreciation of property, plant and equipment	*13*	27,870	32,199	42,654	18,615	29,962
— Amortisation of land use rights	*14*	1,656	1,658	2,098	935	4,726
— Amortisation of intangible assets	*15*	—	—	—	—	115
— Provision for impairment of trade receivables	*19*	—	—	—	—	4,179
— Interest income	*5*	(2,513)	(2,509)	(2,345)	(982)	(2,395)
— Net loss/(gain) on disposal of property, plant and equipment	*5*	318	(1,742)	(1,678)	(170)	(294)
— Finance costs	*7*	39,671	26,033	48,378	19,378	48,076
		144,962	292,305	498,124	213,090	371,012
Decrease/(increase) in pledged bank deposits		55,666	(51,652)	(112,526)	18,181	(220,669)
Decrease/(increase) in cash in transit		4,002	(9,873)	3,401	13,291	(19,946)
Decrease/(increase) in trade receivables		17,539	(12,887)	(1,111)	16,697	(15,935)
Decrease/(increase) in prepayments, deposits and other receivables		61,158	(256,400)	(419,782)	32,796	(216,005)
Increase in inventories		(48,696)	(60,271)	(317,788)	(230,833)	(777,249)
(Decrease)/increase in trade and bills payables		(165,590)	29,757	262,052	1,361	633,059
(Decrease)/increase in other payables and accruals		(42,486)	20,638	(11,493)	19,022	40,018
Cash generated from/(used in) operations		26,555	(48,383)	(99,123)	83,605	(205,715)
Tax paid		(8,662)	(8,591)	(22,124)	(11,230)	(54,160)
Net cash generated from/ (used in) operating activities		17,893	(56,974)	(121,247)	72,375	(259,875)

		Year ended December 31,			Six-month period ended June 30,	
	Section II	2008	2009	2010	2010	2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Investing activities						
Purchase of items of property, plant and equipment		(41,514)	(163,265)	(163,100)	(35,063)	(189,548)
Proceeds from disposal of items of property, plant and equipment		3,158	21,403	17,147	3,123	7,994
Purchase of land use rights		(88)	—	(257,398)	(37,396)	(15,481)
Purchase of intangible assets		—	—	—	—	(2,379)
Investment in a jointly-controlled entity		—	(5,000)	—	—	—
Advance to a jointly-controlled entity		—	(1,000)	(32,900)	—	(3,935)
Acquisition of equity interests by the Group from the then equity holders		—	(41,800)	(146,000)	—	(2,000)
Interest received		2,513	2,509	2,345	982	2,395
Net cash used in investing activities		(35,931)	(187,153)	(579,906)	(68,354)	(202,954)
Financing activities						
Proceeds from bank loans and other borrowings		1,483,318	1,934,848	2,471,674	1,150,621	1,724,731
Repayment of bank loans and other borrowings		(1,494,637)	(1,649,019)	(2,212,323)	(952,806)	(1,199,614)
Contributions from the then equity holders		39,000	—	755,452	17,000	40,000
Contribution from non-controlling shareholders		—	—	7,900	7,900	1,000
Proceeds from disposal of interest in a subsidiary to a non-controlling shareholder without loss of control		—	—	51,675	51,675	—
Dividends paid to the then equity holders		—	(14,648)	(4,401)	—	—
Advances from the Controlling Shareholder, net		8,473	130,935	—	—	—
Repayment of advances from the Controlling Shareholder, net		—	—	(143,429)	(182,849)	(12,029)
Deemed distribution to equity holders of the Company pursuant to the Reorganisation	*31*	—	—	—	—	(10,891)
Interest paid		(43,481)	(31,390)	(53,712)	(22,045)	(50,745)
Net cash (used in)/generated from financing activities		(7,327)	370,726	872,836	69,496	492,452
Net (decrease)/increase in cash and cash equivalents		(25,365)	126,599	171,683	73,517	29,623
Cash and cash equivalents at the beginning of each year/ period		111,559	86,194	212,793	212,793	384,476
Cash and cash equivalents at the end of each year/ period	*23*	86,194	212,793	384,476	286,310	414,099

6. Company Statements of Financial Position

	Section II Note	December 31, 2010 RMB'000	June 30, 2011 RMB'000
NON-CURRENT ASSETS			
Interest in a subsidiary		—	—
Total non-current assets		—	—
CURRENT ASSETS			
Cash and cash equivalents		—	—
Total current assets		—	—
CURRENT LIABILITIES			
Other payables and accruals		—	—
Total current liabilities		—	—
NET CURRENT ASSETS		—	—
TOTAL ASSETS LESS CURRENT LIABILITIES		—	—
NET ASSETS		—	—
EQUITY			
Share capital	*29*	—	—
Reserves		—	—
Total equity		—	—

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated on September 6, 2010 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Particulars of the companies now comprising the Group are set out in Note 39 of section II below.

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 of the Company (the "Directors"), the ultimate holding company of the Company is Baoxin Investment Management Ltd., which is incorporated in the British Virgin Islands ("BVI").

Before the formation of the Group, except for the case of Shanghai Kailong Automobiles Sales Co., Ltd. ("Shanghai Kailong"), the Listing Business was carried out by the subsidiaries now comprising the Group as set out in Note 39 of section II below, all of which were controlled by Mr. Yang Aihua (the "Controlling Shareholder").

In June 2011, Shanghai Minhang Automobiles Sales Co., Ltd. ("Minhang Automobiles") was established to acquire the entire business of sale and service of motor vehicles together with certain operating assets and liabilities from Shanghai Kailong on June 30, 2011. After the business acquisition, Shanghai Kailong ceased its business of sale and service of motor vehicles.

Pursuant to the Reorganisation as described in the section headed "Our History and Reorganisation" in the Prospectus and in Appendix VI "Statutory and General Information" to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on August 4, 2011.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "Our History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on August 4, 2011. 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 on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months period ended June 30, 2010 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 combined statements of financial position of the Group as at December 31, 2008, 2009 and 2010 and June 30, 2011 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.

The accounts of Shanghai Kailong have been included in the Financial Information throughout the Relevant Periods since it was 100% owned by the Controlling Shareholder and that its business throughout the Relevant Periods formed an integral part of the Listing Business. Accordingly, it was reflected in the Financial Information up to the business acquisition date of June 30, 2011, i.e. the effective date when Shanghai Kailong ceased its business of sale and service of motor vehicles.

All intra-group transactions and balances have been eliminated on combination.

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 January 1, 2011, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Adoption of new and revised HKFRSs

For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods.

3.2 Impact of issued but not yet effective Hong Kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards—Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures—Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[3]
HKFRS 10	*Consolidated Financial Statements*[3]
HKFRS 11	*Joint Arrangements*[3]
HKFRS 12	*Disclosure of Interests in Other Entities*[3]
HKFRS 13	*Fair Value Measurement*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes—Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 Amendments	*Employee Benefits*[3]
HKAS 27 Amendments	*Separate Financial Statements*[3]
HKAS 28 Amendments	*Investments in Associates and Joint Ventures*[3]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2012
[3] Effective for annual periods beginning on or after January 1, 2013

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 may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 Summary of significant accounting policies

Basis of combination

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 combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining 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 combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining 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.

All significant intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement 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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its jointly-controlled entities is included in the combined income statements and combined reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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 goodwill), 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 to sell, 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 combined income statement 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 any indication that previously recognized 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 combined income statement in the period in which it arises.

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;

(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. If the Group is itself such a plan and the sponsoring employers of the post-employment benefit plan;

  (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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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 income statement in the period in which it is incurred. 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 depreciation.

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 estimated useful lives and residual value of property, plant and equipment are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Plant and machinery	5–10 years	5%
Furniture and fixtures	3–5 years	5%
Motor vehicles	4–5 years	5%

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 and 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 income statement 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 buildings, plant and machinery under construction or pending installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. 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:

Software	5 years

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, 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 income statement 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 combined income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the combined income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a right is recorded as land use rights, which are amortised over the lease terms of 40 to 50 years using the straight-line method.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, dividends receivable, amounts due from related parties and quoted and unquoted financial instruments.

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. Financial assets are classified as held for trading if they are acquired for the purpose of sale 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the income statement. 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

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 at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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 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 income statement. The loss arising from impairment is recognised in the income statement in other expenses.

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 to maturity. Held-to-maturity investments are subsequently measured at amortised cost 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 income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated 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 valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities 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 securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, 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 expected cash flows 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 income statement.

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 derecognised when:

- the rights to receive cash flows from the asset have expired;
- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 firstly assesses individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, 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 (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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. 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 future write-off is later recovered, the recovery is credited to other expenses in the income statement.

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 income statement, is removed from other comprehensive income and recognised in the income statement.

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. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is to be 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 income statement—is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties, and bank loans and other borrowings.

Subsequent measurement

The 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 includes 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 selling 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 HKAS39. 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 income statement. The net fair value gain or loss recognised in the income statement does not include or includes any interest charged on these financial liabilities.

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 the income statement when the liabilities are derecognised as well as through the effective interest rate method 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 income statement.

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 income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other option pricing models.

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.

Cash and cash equivalents

For the purpose of the combined 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 statements 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.

Income tax

Income tax comprises current and deferred 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 tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where 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, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where 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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 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 tax asset to be utilised. Unrecognised deferred 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 tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 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.

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. Where the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement 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 income statement by way of a reduced depreciation charge.

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 discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

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.

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 income statement as they become payable in accordance with the rules of the central pension scheme.

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 5.82% and 6.80% has been applied to the expenditure on the individual assets.

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.

Foreign currencies

The 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 ruling 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. All differences are taken to the income statement. 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 determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. 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 ruling at the end of the reporting period, and their income statements 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 income statement.

For the purpose of the combined 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.

3.4 Significant accounting judgements and estimates

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, 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, apart from those involving estimations, which have the most significant effect on the amounts recognised in the 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 RMB6,371,000, RMB5,782,000, RMB6,549,000 and RMB9,171,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively. More details are given in Note 28.

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 discussed below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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.

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 in accordance with HKFRS 8 Operating Segments.

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 in accordance with HKFRS 8 Operating Segments.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from the sale of motor vehicles	3,336,222	4,728,922	7,168,106	3,154,820	4,922,060
Others	365,039	435,808	548,458	237,913	311,268
	3,701,261	5,164,730	7,716,564	3,392,733	5,233,328

(b) Other income and gains, net:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Commission income	7,081	16,818	21,533	10,926	24,494
Advertisement support received from motor vehicle manufacturers	1,815	1,432	3,184	1,297	2,982
Government grants	1,097	3,243	6,904	2,373	6,921
Interest income	2,513	2,509	2,345	982	2,395
Net (loss)/gain on disposal of items of property, plant and equipment	(318)	1,742	1,678	170	294
Others	715	1,221	1,838	906	1,328
Total	12,903	26,965	37,482	16,654	38,414

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(a) Employee benefit expense (including directors' remuneration *(Note 9)*):					
Wages and salaries	38,267	52,899	58,545	28,287	37,581
Other welfare	10,922	14,050	19,574	9,435	11,578
	49,189	66,949	78,119	37,722	49,159
(b) Cost of sales and services:					
Cost of sales of motor vehicles	3,232,140	4,493,285	6,740,711	2,964,259	4,552,403
Others	213,032	233,359	287,855	126,122	161,862
	3,445,172	4,726,644	7,028,566	3,090,381	4,714,265
(c) Other items:					
Depreciation of items of property, plant and equipment	27,870	32,199	42,654	18,615	29,962
Amortisation of land use rights	1,656	1,658	2,098	935	4,726
Amortisation of intangible assets	—	—	—	—	115
Advertisement and business promotion expenses	12,970	22,919	37,469	16,231	32,188
Bank charges	4,185	4,408	6,913	3,266	9,113
Lease expenses	15,031	18,165	24,107	9,854	22,088
Logistics and petroleum expenses	7,693	14,222	18,837	9,473	12,006
Office expenses	3,960	5,579	6,909	3,099	4,597

7. FINANCE COSTS

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on bank borrowings wholly repayable within five years	35,792	29,933	51,684	21,077	49,602
Interest expense on other borrowings	7,689	1,457	2,028	968	1,143
Less: interest capitalised	(3,810)	(5,357)	(5,334)	(2,667)	(2,669)
	39,671	26,033	48,378	19,378	48,076

8. TAX

(a) Tax in the combined income statements represents:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current Mainland China corporate income tax	23,735	60,199	105,033	44,565	78,250
Deferred tax *(Note 28)*	(3,231)	589	(767)	(326)	(3,236)
	20,504	60,788	104,266	44,239	75,014

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council 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 subsidiary incorporated in Hong Kong is subject to an income 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 December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	77,960	236,633	411,924	175,432	288,918
Tax at applicable tax rates (25%)	19,490	59,158	102,981	43,858	72,230
Tax effect of non-deductible expenses	1,014	1,622	2,012	411	3,353
Loss/(profit) attributable to a jointly-controlled entity	—	8	(727)	(30)	(569)
Tax charge	20,504	60,788	104,266	44,239	75,014

9. DIRECTORS' REMUNERATION

Details of the remuneration of the directors of the Company during the Relevant Periods and the six-month period ended June 30, 2010, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended December 31, 2008				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Yang Aihua	—	300	—	39	339
— Yang Hansong	—	330	—	39	369
— Yang Zehua	—	304	—	39	343
— Zhao Hongliang	—	344	—	39	383
— Hua Xiuzhen	—	294	—	—	294
Non-executive directors					
— Zhang Yang	—	—	—	—	—
	—	1,572	—	156	1,728

	Year ended December 31, 2009				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Yang Aihua	—	226	—	44	270
— Yang Hansong	—	536	—	44	580
— Yang Zehua	—	500	—	44	544
— Zhao Hongliang	—	493	—	44	537
— Hua Xiuzhen	—	493	—	—	493
Non-executive directors					
— Zhang Yang	—	—	—	—	—
	—	2,248	—	176	2,424

	Year ended December 31, 2010				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Yang Aihua	—	1,040	—	56	1,096
— Yang Hansong	—	440	—	56	496
— Yang Zehua	—	384	—	56	440
— Zhao Hongliang	—	424	—	56	480
— Hua Xiuzhen	—	424	—	—	424
Non-executive directors					
— Zhang Yang	—	—	—	—	—
	—	2,712	—	224	2,936

	Six-month period ended June 30, 2011				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Yang Aihua	—	540	—	29	569
— Yang Hansong	—	270	—	29	299
— Yang Zehua	—	240	—	29	269
— Zhao Hongliang	—	210	—	29	239
— Hua Xiuzhen	—	210	—	—	210
Non-executive directors					
— Zhang Yang	—	—	—	—	—
	—	1,470	—	116	1,586

	Six-month period ended June 30, 2010 (unaudited)				
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
— Yang Aihua	—	360	—	28	388
— Yang Hansong	—	240	—	28	268
— Yang Zehua	—	200	—	28	228
— Zhao Hongliang	—	200	—	28	228
— Hua Xiuzhen	—	200	—	—	200
Non-executive directors					
— Zhang Yang	—	—	—	—	—
	—	1,200	—	112	1,312

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the six-month period ended June 30, 2010.

No emoluments were paid to the non-executive directors of the Company during the Relevant Periods and the six-month period ended June 30, 2010.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included four directors for the six-month period ended 30 June 2011 (2008: three; 2009: two; 2010: three; the six-month period ended 30 June 2010: four), details of whose remuneration are detailed in Note 9 above. Details of the remuneration of the remaining non-director, highest paid employees for each of the Relevant Periods and the six-month period ended June 30, 2010 are as follows:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances and benefits in kind	688	1,504	848	200	210
Pension scheme contributions	11	23	48	18	21
	699	1,527	896	218	231

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Nil to HK$1,000,000	2	3	2	1	1

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The combined profit attributable to owners of the parent for the year ended December 31, 2010 and the six-month period ended June 30, 2011 were all generated by the subsidiaries now comprising the Group and Shanghai Kailong (Note 2.1).

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2.1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2008	260,130	16,225	16,552	13,794	32,037	—	338,738
Additions	1,333	74	852	2,505	18,465	35,752	58,981
Disposals	(7,947)	—	—	—	(4,750)	—	(12,697)
At December 31, 2008	253,516	16,299	17,404	16,299	45,752	35,752	385,022
Accumulated depreciation:							
At January 1, 2008	58,508	6,246	7,538	5,818	7,281	—	85,391
Depreciation provided during the year	13,550	1,074	2,111	2,515	8,620	—	27,870
Disposals	(7,550)	—	—	—	(1,671)	—	(9,221)
At December 31, 2008	64,508	7,320	9,649	8,333	14,230	—	104,040
Net book value:							
At December 31, 2008	189,008	8,979	7,755	7,966	31,522	35,752	280,982
Cost:							
At January 1, 2009	253,516	16,299	17,404	16,299	45,752	35,752	385,022
Additions	115,953	799	7,127	5,881	33,464	16,928	180,152
Transfers	14,255	14,376	140	—	—	(28,771)	—
Disposals	—	—	—	(32)	(23,500)	—	(23,532)
At December 31, 2009	383,724	31,474	24,671	22,148	55,716	23,909	541,642
Accumulated depreciation:							
At January 1, 2009	64,508	7,320	9,649	8,333	14,230	—	104,040
Depreciation provided during the year	16,443	2,275	2,455	3,091	7,935	—	32,199
Disposals	—	—	—	(30)	(3,841)	—	(3,871)
At December 31, 2009	80,951	9,595	12,104	11,394	18,324	—	132,368
Net book value:							
At December 31, 2009	302,773	21,879	12,567	10,754	37,392	23,909	409,274

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2010	383,724	31,474	24,671	22,148	55,716	23,909	541,642
Additions	47,518	3,087	16,680	5,312	37,527	59,432	169,556
Transfers	28,725	600	2,033	—	—	(31,358)	—
Disposals	—	—	(118)	(1,708)	(19,695)	—	(21,521)
At December 31, 2010	459,967	35,161	43,266	25,752	73,548	51,983	689,677
Accumulated depreciation:							
At January 1, 2010	80,951	9,595	12,104	11,394	18,324	—	132,368
Depreciation provided during the year	21,922	2,316	3,706	3,637	11,073	—	42,654
Disposals	—	—	(112)	(1,612)	(4,328)	—	(6,052)
At December 31, 2010	102,873	11,911	15,698	13,419	25,069	—	168,970
Net book value:							
At December 31, 2010	357,094	23,250	27,568	12,333	48,479	51,983	520,707
Cost:							
At January 1, 2011	459,967	35,161	43,266	25,752	73,548	51,983	689,677
Additions	58,984	33,801	1,470	2,826	17,360	66,764	181,205
Transfers	47,666	1,057	8,998	4,229	13,885	(75,835)	—
Disposals	—	(864)	—	(238)	(12,740)	—	(13,842)
Deemed distribution to equity holders of the Company *(Note 31)*	—	—	—	—	—	(250)	(250)
At June 30, 2011	566,617	69,155	53,734	32,569	92,053	42,662	856,790
Accumulated depreciation:							
At January 1, 2011	102,873	11,911	15,698	13,419	25,069	—	168,970
Depreciation during the period	15,408	3,360	2,810	2,444	5,940	—	29,962
Disposals	—	(864)	—	(226)	(5,052)	—	(6,142)
At June 30, 2011	118,281	14,407	18,508	15,637	25,957	—	192,790
Net book value:							
At June 30, 2011	448,336	54,748	35,226	16,932	66,096	42,662	664,000

As at June 30, 2011, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB423,456,000 was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately Nil, RMB24,337,000, RMB22,845,000 and RMB22,099,000 as at December 31, 2008, December 31, 2009 and December 31, 2010 and June 30, 2011, respectively, were pledged as security for the Group's bank borrowings (Note 24(a)).

14. LAND USE RIGHTS

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At the beginning of each year/period	81,438	81,526	81,526	338,924
Additions	88	—	257,398	116,479
Deemed distribution to equity holders of the Company *(Note 31)*	—	—	—	(276,358)
At the end of each year/period	81,526	81,526	338,924	179,045
Accumulated amortisation:				
At the beginning of each year/period	5,574	7,230	8,888	10,986
Charge for the year/period	1,656	1,658	2,098	4,726
Deemed distribution to equity holders of the Company *(Note 31)*	—	—	—	(11,830)
At the end of each year/period	7,230	8,888	10,986	3,882
Net book value:				
At the end of each year/period	74,296	72,638	327,938	175,163

The lease prepayments of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 36 to 44 years.

Certain of the Group's land use rights with an aggregate net book value of approximately Nil, RMB22,726,000, RMB36,132,000 and RMB82,088,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively, were pledged as security for the Group's bank loans and other borrowings (Note 24 (a)).

15. INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At January 1, 2011	—
Additions	2,379
At June 30, 2011	2,379
Accumulated amortisation:	
At January 1, 2011	—
Charge for the period	(115)
At June 30, 2011	(115)
Net book value:	
At June 30, 2011	2,264

16. PREPAYMENTS

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid lease for buildings	2,110	2,171	7,554	12,125

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	—	4,967	7,874	10,149

瀋陽信寶行汽車銷售服務有限公司(Shenyang Xinbaohang Automobile Sales & Services Co., Ltd. "Shenyang Xinbaohang") is a jointly-controlled entity of the Group and is considered to be a related party of the Group.

(a) Particulars of a jointly-controlled entity

Jointly-controlled entity	Place and date of incorporation/ registered	Authorised registration/paid-in/ issued capital	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Shenyang Xinbaohang	Shenyang, the PRC, 2009	RMB10,000,000	50%	50%	50%	Sale and service of motor vehicles

(b) The following table illustrates the summarised financial information of the Group's jointly-controlled entity shared by the Group:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share of the jointly-controlled entity's assets and liabilities:				
Non-current assets	—	14,078	22,128	21,716
Current assets	—	21,829	87,846	103,019
Current liabilities	—	(30,940)	(102,100)	(114,586)
Net assets	—	4,967	7,874	10,149

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Share of the jointly-controlled entity's results:					
Revenue	—	—	259,103	150,697	157,664
Expenses	—	(33)	(256,196)	(150,579)	(154,631)
Tax	—	—	—	—	(758)
(Loss)/profit for the year/period	—	(33)	2,907	118	2,275

18. INVENTORIES

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Motor vehicles	321,400	370,868	678,858	1,429,471
Spare parts and accessories	38,494	49,297	59,095	85,731
	359,894	420,165	737,953	1,515,202

Certain of the Group's inventories with a carrying amount of RMB101,434,000, RMB139,462,000, RMB225,620,000 and RMB382,587,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively, were pledged as security for the Group's bank loans and other borrowings (Note 24(a)).

Certain of the Group's inventories with a carrying amount of RMB191,040,000, RMB209,154,000, RMB398,929,000 and RMB798,201,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively, were pledged as security for the Group's bills payable.

19. TRADE RECEIVABLES

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	28,849	41,736	42,847	58,432
Impairment	—	—	—	(4,179)
	28,849	41,736	42,847	54,253

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 each reporting date (based on the invoice date, net of impairment) is as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	27,466	38,610	38,349	50,004
More than 3 months but less than 1 year	690	2,124	2,585	3,369
Over 1 year	693	1,002	1,913	880
	28,849	41,736	42,847	54,253

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	28,156	40,734	40,934	53,373
Over one year past due	693	1,002	1,913	880
	28,849	41,736	42,847	54,253

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of trade receivables are as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of each year/period	—	—	—	—
Impairment losses recognised	—	—	—	4,179
At the end of each year/period	—	—	—	4,179

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	111,681	285,666	621,251	699,163
Prepayments for purchase of items of plant, property and equipment	8,556	7,970	4,422	13,165
Deposit paid for potential acquisition of land use rights	8,200	22,171	18,698	—
Rebate receivables	60,809	131,219	180,853	239,705
VAT recoverable (i)	5,969	7,497	20,881	60,388
Staff loans	8,829	13,279	30,776	32,279
Others	10,552	11,103	20,845	33,413
	214,596	478,905	897,726	1,078,113

Note:

(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.

21. PLEDGED BANK DEPOSITS

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits pledged with banks as collateral against credit facilities of bills payable granted by the banks	111,971	163,623	276,149	496,818

Pledged bank deposits, which are all denominated in RMB at the end of the reporting period, earn interest at interest rates stipulated by respective finance institutions.

22. CASH IN TRANSIT

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in transit	7,550	17,423	14,022	33,660

Cash in transit represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

23. CASH AND CASH EQUIVALENTS

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	86,194	212,793	379,206	414,099
Short term deposits	—	—	5,270	—
Cash and cash equivalents	86,194	212,793	384,476	414,099

At the end of the reporting period, cash and bank balances and short term deposits are all denominated in RMB. Cash at banks earns interest at floating rates based on daily bank deposit rates. Term deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and term deposits 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.

24. BANK LOANS AND OTHER BORROWINGS

	At December 31,						At June 30,	
	2008		2009		2010		2011	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Current bank loans	5.8–9.0	212,093	5.3–6.1	444,181	5.7–6.8	756,442	5.8–7.9	1,031,351
Other borrowings	7.5–8.2	50,066	5.6–7.8	103,807	6.4–8.1	50,897	6.7–8.1	151,105
		262,159		547,988		807,339		1,182,456
Current bank loans and other borrowings representing:								
— secured (a)		86,320		154,259		262,772		390,554
— guaranteed (b)		31,000		113,000		129,040		206,711
— unsecured		144,839		280,729		415,527		585,191
		262,159		547,988		807,339		1,182,456

The maturity of bank loans and other borrowings at each reporting date were less than one year.

(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 an aggregate carrying value of approximately Nil, RMB22,726,000, RMB36,132,000 and RMB82,088,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately Nil, RMB24,337,000, RMB22,845,000 and RMB22,099,000 as at December 31, 2008, December 31, 2009 and December 31, 2010 and June 30, 2011, respectively; and

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB101,434,000, RMB139,462,000, RMB225,620,000 and RMB382,587,000 at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively.

(b) Certain of the Group's bank loans which amounted to RMB31,000,000, RMB113,000,000, RMB129,040,000 and RMB206,711,000 were guaranteed by the Controlling Shareholder as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively.

25. TRADE AND BILLS PAYABLES

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	33,658	20,271	14,325	22,966
Bills payable	264,178	307,322	575,320	1,199,545
Trade and bills payables	297,836	327,593	589,645	1,222,511

An aged analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	265,612	307,768	570,884	1,163,462
3 to 6 months	28,408	11,996	16,410	57,501
6 to 12 months	2,423	1,784	2,129	437
Over 12 months	1,393	6,045	222	1,111
	297,836	327,593	589,645	1,222,511

The trade and bills payables are non-interest-bearing.

26. OTHER PAYABLES AND ACCRUALS

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for purchase of items of property, plant and equipment	22,212	19,500	5,544	3,275
Payables for purchase of land use rights	—	—	—	82,300
Advances from customers	80,054	116,817	108,115	147,476
Taxes payable (other than income tax)	8,974	14,865	29,783	26,351
Lease payables	7,174	7,036	8,738	7,576
Staff payroll and welfare payables	4,022	4,348	5,554	6,221
Others	7,750	7,758	6,641	8,365
	130,186	170,324	164,375	281,564

27. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% (2010: 10% to 22%; 2009: 10% to 22%; 2008: 10% to 22%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 7% to 10% (2010: 7% to 10%; 2009: 7% to 10%; 2008: 7% to 10%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Center. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, the Group had no significant obligation apart from the contributions as stated above.

28. DEFERRED TAX

Deferred tax assets:

The components of deferred tax assets recognised in the combined statements of financial position and the movements during the years/period are as follows:

	Losses available for offset against future taxable profits	Accrued payroll	Deferred rental expenses	Other accrual	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	2,019	333	788	—	3,140
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	2,636	377	218	—	3,231
At December 31, 2008	4,655	710	1,006	—	6,371
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	(1,188)	518	81	—	(589)
At December 31, 2009	3,467	1,228	1,087	—	5,782
Deferred tax recognised in the combined income statement during the year *(Note 8(a))*	(140)	605	302	—	767
At December 31, 2010	3,327	1,833	1,389	—	6,549
Deferred tax recognised in the combined income statement during the period *(Note 8(a))*	1,078	(278)	1,391	1,045	3,236
Deemed distribution to equity holders of the Company *(Note 31)*	(614)	—	—	—	(614)
At June 30, 2011	3,791	1,555	2,780	1,045	9,171

Deferred tax liabilities:

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC 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 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 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 rate of 5%. On February 22, 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at December 31, 2007 are exempted from the withholding tax.

The Group's subsidiaries in the PRC are directly or indirectly held by the Group's intermediate holding company, Kailong Investments Management Limited, a Hong Kong tax resident.

The Group has not provided for income taxes on accumulated earnings generated by its PRC entities during the Relevant Periods amounting to RMB51,600,000, RMB190,418,000, RMB458,536,000 and RMB227,627,000 as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively, because it is probable that such accumulated earnings will not be distributed to the holding company outside the PRC in the foreseeable future.

29. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 6, 2010 with an initial authorised share capital of US$50,000 divided into 500,000 shares of a par value of US$0.1 each. On the date of incorporation, 1 ordinary share of US$0.1 was allotted and issued by the Company to its then shareholders. On September 28, 2010, 499,999 ordinary shares of US$49,999.9 was allotted and issued to its then shareholders.

30. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 39 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.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, 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 deductions during the Relevant Periods represent the decrease in the Group's net assets resulted from distribution to equity holders of the Company and acquisition of equity interests in subsidiaries from the Controlling Shareholder for business combination under common control.

31. EFFECT ON DEEMED DISTRIBUTION TO EQUITY HOLDERS OF THE COMPANY ON JUNE 30, 2011

As mentioned in Note 1, Shanghai Kailong transferred its entire business of sale and service of motor vehicles together with certain operating assets and liabilities to Minhang Automobiles on June 30, 2011. As mentioned in Note 2.1, the accounts of Shanghai Kailong have been included in the Financial Information up to the business acquisition date of June 30, 2011, i.e. the effective date when Shanghai Kailong ceased its business of sale and service of motor vehicles.

On June 30, 2011, except those operating assets and liabilities which have been transferred to Minhang Automobiles, other assets and liabilities of Shanghai Kailong summarised as below were accounted for as distribution to equity holders of the Company. An analysis of the assets and liabilities and the cash outflow of the distribution is as follows:

	June 30, 2011
	RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment	250
Land use rights	264,528
Deferred tax assets	614
Total non-current assets	265,392
CURRENT ASSETS	
Trade receivables	350
Deposits and other receivables	21,092
Amounts due from the Controlling Shareholder	6,313
Cash in transit	308
Cash and cash equivalents	10,891
Total current assets	38,954
CURRENT LIABILITIES	
Trade and bills payables	193
Other payables and accruals	2,860
Amounts due to the Controlling Shareholder	143,303
Income tax payable	196
Total current liabilities	146,552
NON-CURRENT LIABILITIES	
Bank loans and other borrowings	150,000
Total non-current liabilities	150,000
NET ASSETS	7,794

32. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows:

Financial assets

	Loans and receivables			
	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	28,849	41,736	42,847	54,253
Financial assets included in prepayments, deposits and other receivables	80,190	155,601	232,474	305,397
Amounts due from a related party	—	1,000	33,900	37,835
Pledged bank deposits	111,971	163,623	276,149	496,818
Cash in transit	7,550	17,423	14,022	33,660
Cash and cash equivalents	86,194	212,793	384,476	414,099
	314,754	592,176	983,868	1,342,062

Financial liabilities

	Financial liabilities at amortised cost			
	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	297,836	327,593	589,645	1,222,511
Financial liabilities included in other payables and accruals	37,136	34,294	20,923	101,516
Amounts due to related parties	17,879	148,814	5,385	1,143,991
Bank loans and other borrowings	262,159	547,988	807,339	1,182,456
	615,010	1,058,689	1,423,292	3,650,474

33. CONTINGENT LIABILITIES

As at December 31, 2008, 2009 and 2010, and June 30, 2011, neither the Group nor the Company had any significant contingent liabilities.

34. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for in the Financial Information were as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for land use rights and buildings	2,040	5,420	3,010	45,976
Authorised, but not contracted for land use rights and buildings	3,040	233,561	25,124	36,986
	5,080	238,981	28,134	82,962

(b) Operating lease commitments

At each reporting date, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	December 31,						June 30,	
	2008		2009		2010		2011	
	Properties	Land	Properties	Land	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,204	11,846	1,293	13,700	6,861	9,650	10,481	26,034
After 1 year but within 5 years	4,755	34,596	3,906	37,547	18,990	34,531	34,303	103,672
After 5 years	14,057	55,179	13,693	92,027	24,574	79,676	71,323	161,412
	20,016	101,621	18,892	143,274	50,425	123,857	116,107	291,118

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the leases when all the terms are renegotiated.

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 13, Note 14, Note 18 and Note 21 to the Financial Information.

36. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Yang Aihua is the Controlling Shareholder of the Group and is also considered to be a related party of the Group.

Shanghai Bentai Investment Management Co., Ltd. ("Bentai Investment"), Shanghai Chiheng Investment Management Co., Ltd. ("Chiheng Investment"), Shanghai Hengjun Investment Management Co., Ltd. ("Hengjun Investment"), Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund are the then equity holders of the Group and are also considered to be related parties of the Group.

(a) Transactions with related parties

(i) The Group's bank loans which amounted to RMB31,000,000, RMB113,000,000, RMB129,040,000 and RMB206,711,000 were guaranteed by the Controlling Shareholder as at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, respectively.

(ii) On June 28, 2011, Suzhou Baoxin Automobile Sales & Services Co., Ltd. ("Suzhou Baoxin") entered into an equity transfer agreement with Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund, pursuant to which Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund agreed to sell and Suzhou Baoxin agreed to purchase the 3% of the equity interest in Shanghai Baoxin Automobile Sales & Services Co., Ltd. for a consideration of RMB550,000,000 provided that any one of the following three conditions is fulfilled: (i) the Global Offering has been completed; (ii) the shareholders (apart from the Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P. and Innovation Capital, L.P.) of the Company have disposed of an aggregate of 40% or more of their shares in the Company; or (iii) Mr. Yang Aihua has ceased to be a controlling shareholder.

Pursuant to above terms of the equity transfer agreement, the 3% non-controlling interests were derecognised as if they were acquired on June 28, 2011. The consideration of RMB550,000,000 was then recorded as amounts due to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund by RMB330,000,000 and RMB220,000,000, respectively.

(b) Balances with related parties

The Group had the following significant balances with its related parties during the Relevant Periods:

(i) Due from a related party:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:				
A jointly-controlled entity				
— Shenyang Xinbaohang	—	1,000	33,900	37,835

(ii) Due to related parties:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade related:				
The Controlling Shareholder				
— Mr. Yang Aihua	17,879	148,814	5,385	481,045
The then equity holders				
— Huakong (Tianjin) Innovation Fund	—	—	—	370,338
— Huakong (Tianjin) Industry Investment Fund	—	—	—	246,893
— Bentai Investment	—	—	—	23,166
— Hengjun Investment	—	—	—	16,989
— Chiheng Investment	—	—	—	5,560
	17,879	148,814	5,385	1,143,991

Except for the amounts due to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund by RMB330,000,000 and RMB220,000,000, respectively, which would be settled upon completion of the Global Offering as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, other balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

(c) Compensation of key management personnel of the Group:

	Year ended December 31,			Six-month period ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short term employee benefits	1,104	1,983	1,696	800	930
Post-employee benefits	50	55	62	31	64
Total compensation paid to key management personnel	1,154	2,038	1,758	831	994

Further details of directors' emoluments are included in Note 9 to the Financial Information.

37. FAIR VALUE

The carrying amounts of the Group's and the Company's financial instruments approximate to their fair values.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, 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 and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate 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 21) and cash and cash equivalents (Note 23).

The Group's interest rate risk arises from its bank loans and other borrowings, details of which are set out in Note 24. Borrowings at variable 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 rates relates primarily to the Group's debt obligations with a floating interest rate.

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 and other receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2008, December 31, 2009, December 31, 2010 and June 30, 2011, 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 risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was as follows:

	As at December 31, 2008					
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	—	142,127	124,188	—	—	266,315
Trade and bills payables	32,224	265,612	—	—	—	297,836
Other payables and accruals	37,136	—	—	—	—	37,136
Amounts due to related parties	17,879	—	—	—	—	17,879
	87,239	407,739	124,188	—	—	619,166

	As at December 31, 2009					
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	—	314,566	241,293	—	—	555,859
Trade and bills payables	19,825	307,768	—	—	—	327,593
Other payables and accruals	34,294	—	—	—	—	34,294
Amounts due to related parties	148,814	—	—	—	—	148,814
	202,933	622,334	241,293	—	—	1,066,560

	As at December 31, 2010					
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	—	468,032	351,741	—	—	819,773
Trade and bills payables	18,761	570,884	—	—	—	589,645
Other payables and accruals	20,923	—	—	—	—	20,923
Amounts due to related parties	5,385	—	—	—	—	5,385
	45,069	1,038,916	351,741	—	—	1,435,726

	As at June 30, 2011					
	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	—	418,825	784,759	—	—	1,203,584
Trade and bills payables	59,049	1,163,462	—	—	—	1,222,511
Other payables and accruals	101,516	—	—	—	—	101,516
Amounts due to related parties	1,143,991	—	—	—	—	1,143,991
	1,304,556	1,582,287	784,759	—	—	3,671,602

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2008, December 31, 2009, December 31, 2010 and the six months period ended June 30, 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, amounts due to related parties, trade, bills and other payables, accruals, less cash and cash equivalents. The gearing ratios as at each of the statement of financial position dates were as follows:

	At December 31,			At June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	262,159	547,988	807,339	1,182,456
Trade and bills payables	297,836	327,593	589,645	1,222,511
Other payables and accruals	130,186	170,324	164,375	281,564
Amounts due to related parties	17,879	148,814	5,385	1,143,991
Less: Cash and cash equivalents	(86,194)	(212,793)	(384,476)	(414,099)
Net debt	621,866	981,926	1,182,268	3,416,423
Equity attributable to owners of the parent	443,926	562,234	1,465,573	463,804
Gearing ratio	58.3%	63.6%	44.7%	88.0%

39. DETAILS OF SUBSIDIARIES NOW COMPRISING THE GROUP

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	*Notes*	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
Xiangsong Auto Company Limited	*(iii)*	Tortola, British Virgin Islands 2011	Registered capital of Nil	100%	—	Investment holding
開隆投資管理有限公司 (Kailong Investments Management Limited)	*(i)*	Hong Kong, the PRC 2010	Registered and paid-in capital of HK$1	—	100%	Investment holding
上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2004	Registered and paid-in capital of RMB214,650,000	—	100%	Sale and service of motor vehicles
上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.)	*(i)*	Shanghai, the PRC 1999	Registered and paid-in capital of RMB87,000,000	—	100%	Sale and service of motor vehicles
上海開隆汽車貿易虹橋有限公司 (Shanghai Kailong Automobile Trading Hongqiao Co., Ltd.)	*(i)*	Shanghai, the PRC 2004	Registered and paid-in capital of RMB6,000,000	—	100%	Sale of spare parts and accessories
上海太平洋虹橋汽車貿易有限公司 (Shanghai Taipingyang Hongqiao Automobile Trading Co., Ltd.)	*(i)*	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
上海開隆汽車服務有限公司 (Shanghai Kailong Automobile Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2000	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
上海開隆豐田汽車銷售服務有限公司 (Shanghai Kailong Toyota Automobile Sales & Services Co., Ltd.)	*(ii)*	Shanghai, the PRC 2002	Registered and paid-in capital of RMB80,000,000	—	85%	Sale and service of motor vehicles
上海開隆汽車裝潢服務有限公司 (Shanghai Kailong Automobile Decoration Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2003	Registered and paid-in capital of RMB500,000	—	100%	Sale of spare parts and accessories
上海徐匯寶信汽車服務有限公司 (Shanghai Xuhui Baoxin Automobile Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale of spare parts and accessories
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Suzhou, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	*(i)*	Qingdao, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Tianjin, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Ningbo, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	100%	Service of motor motor vehicles
寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Ninghai, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles

Company name	Notes	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	*(i)*	Taizhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
北京信寶行置業有限公司 (Beijing Xinbaohang Real Estate Co., Ltd.)	*(i)*	Beijing, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	51%	Dormant
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	*(i)*	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB10,000,000	—	90%	Sale and service of motor vehicles
常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.)	*(i)*	Changshu, the PRC 2006	Registered and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
上海太平洋金沙汽車銷售服務有限公司 (Shanghai Taipingyang Jinsha Automobile Sales & Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	—	90%	Sale and service of motor vehicles
上海太平洋申隆汽車銷售服務有限公司 (Shanghai Taipingyang Shenlong Automobile Sales & Services Co., Ltd.)	*(i)*	Shanghai, the PRC 2005	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
上海徐匯開隆汽車銷售服務有限公司 (Shanghai Xuhui Kailong Automobile Sales & Services Co., Ltd.)	*(ii)*	Shanghai, the PRC 2006	Registered and paid-in capital of RMB12,000,000	—	85%	Sale and service of motor vehicles
上海信隆汽車銷售服務有限公司 (Shanghai Xinlong Automobile Sales & Services Co., Ltd.)	*(ii)*	Shanghai, the PRC 2002	Registered and paid-in capital of RMB10,000,000	—	85%	Sale and service of motor vehicles
上海亞歐汽車銷售服務有限公司 (Shanghai Ya'ou Automobile Sales & Services Co., Ltd.)	*(ii)*	Shanghai, the PRC 2004	Registered and paid-in capital of RMB10,000,000	—	85%	Sale and service of motor vehicles
上海中創汽車銷售有限公司 (Shanghai Zhongchuang Automobile Sales Co., Ltd.)	*(ii)*	Shanghai, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	85%	Sale and service of motor vehicles
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	*(i)*	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	70%	Sale and service of motor vehicles
揚州名凱汽車銷售服務有限公司 (Yangzhou Mingkai Automobile Sales & Services Co., Ltd.)	*(i)*	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
上海閔行開隆汽車裝璜服務有限公司 (Shanghai Minhang Kailong Automobile Decoration Services Co., Ltd.)	*(iv)*	Shanghai, the PRC 2010	Registered and paid-in capital of RMB500,000	—	85%	Sale of spare parts and accessories
上海徐匯開隆二手機動車經營有限公司 (Shanghai Xuhui Kailong Second-hand Motor Vehicle Trading Co., Ltd.)	*(i)*	Shanghai, the PRC 2010	Registered and paid-in capital of RMB100,000	—	100%	Dormant
江蘇滬隆投資實業有限公司 (Jiangsu Hulong Investment Co., Ltd.)	*(i)*	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	—	100%	Dormant
杭州寶信置業有限公司 (Hangzhou Baoxin Real Estate Co., Ltd.)	*(i)*	Hangzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	90%	Dormant

Company name	*Notes*	Place and date of incorporation/ operations	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
				%	%	
蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd)	*(i)*	Suzhou, the PRC 2010	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
富陽寶信汽車銷售服務有限公司 (Fuyang Baoxin Automobile Sales & Services Co., Ltd.)	*(iii)*	Fuyang, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	90%	Dormant
青島寶隆汽車銷售服務有限公司 (Qingdao Baolong Automobile Sales & Services Co., Ltd.)	*(iii)*	Qingdao, the PRC 2011	Registered and paid-in capital of RMB5,000,000	—	100%	Dormant
上海真北寶信汽車銷售服務有限公司 (Shanghai Zhenbei Baoxin Automobile Sales & Services Co., Ltd.)	*(iii)*	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	100%	Dormant
丹東信寶行汽車銷售服務有限公司 (Dandong Xinbaohang Automobile Sales & Services Co., Ltd.)	*(iii)*	Dandong, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	100%	Dormant
嘉興天華汽車銷售服務有限公司 (Jiaxing Tianhua Automobile Sales & Services Co., Ltd.)	*(iii)*	Jiaxing, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	100%	Dormant
無錫天華汽車銷售服務有限公司 (Wuxi Tianhua Automobile Sales & Services Co., Ltd.)	*(iii)*	Wuxi, the PRC 2011	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
寧波天華汽車銷售服務有限公司 (Ningbo Tianhua Automobile Sales & Services Co., Ltd.)	*(iii)*	Ningbo, the PRC 2011	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
上海閔行開隆汽車銷售有限公司 (Shanghai Minhang Automobile Sales Co., Ltd)	*(iii)*	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
寧波寶鼎行汽車銷售服務有限公司 (Ningbo Baodinghang Automobile Sales & Services Co., Ltd.)	*(iii)*	Ningbo, the PRC 2011	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
上海五角場開隆汽車貿易有限公司 (Shanghai Wujiaochang Kailong Automobile Trading Co., Ltd.)	*(iii)*	Shanghai, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	70%	Sale and service of motor vehicles
瀋陽寶信行汽車有限公司 (Shenyang Baoxinhang Automobile Co., Ltd.)	*(iii)*	Shenyang, the PRC 2011	Registered and paid-in capital of RMB3,000,000	—	100%	Sale and service of motor vehicles
天津衛寶行汽車銷售服務有限公司 (Tianjin Weibaohang Automobile Sales & Services Co., Ltd.)	*(iii)*	Tianjin, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
淄博寶信汽車銷售服務有限公司 (Zibo Baoxin Automobile Sales & Services Co., Ltd.)	*(iii)*	Zibo, the PRC 2011	Registered and paid-in capital of RMB10,000,000	—	75%	Sale and service of motor vehicles

The results of Shanghai Kailong have been included in the Financial Information throughout the Relevant Periods since it was 100% owned by the Controlling Shareholder and that its business throughout the Relevant Periods formed an integral part of the Listing Business. Accordingly, the operating result was reflected in the Financial Information up to the business acquisition date of June 30, 2011, i.e. the effective date when Shanghai Kailong ceased its business of sale and service of motor vehicles. Shanghai Kailong was established in the PRC on November 15, 2001 with paid-up capital of RMB50,000,000 as at June 30, 2011. It was engaged in the sale and service of motor vehicles in Shanghai, the PRC, and no statutory accounts have been prepared for Shanghai Kailong since its incorporation as there is no statutory requirement for it to prepare audited financial statements.

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) No statutory account for the years ended December 31, 2008 has been prepared for these subsidiaries since their incorporation as there is no statutory requirement for these companies to prepare audited financial statements. The statutory accounts for the year ended December 31, 2009 and 2010 were audited by 公信中南會計師事務所 (Gong Xin Zhong Nan Certified Public Accountants) and 上海宏大東亞會計師事務所有限公司 (Shanghai HDDY Certified Public Accountants Co., Ltd) respectively.

(iii) For the year ended December 31, 2010, these subsidiaries have yet to be incorporated.

(iv) The statutory accounts for the year ended December 31, 2010 were audited by 上海宏大東亞會計師事務所有限公司 (Shanghai HDDY Certified Public Accountants Co., Ltd).

40. POST BALANCE SHEET EVENTS

1. On July 12, 2011, the authorized share capital of the Company was increased to US$200,000 divided into 2,000,000 shares with a par value of US$0.1 each. On the same day, 500,000 ordinary shares of US$50,000 were allotted and issued to its then shareholders.

2. On November 22, 2011, the authorized share capital of the Company was increased to the aggregate of US$200,000 and HK$50,000,000 divided into (i) 2,000,000 shares with a par value of US$0.1 each and (ii) 5,000,000,000 ordinary shares with a par value of HK$0.01 each.

3. On November 25, 2011, 100,000,000 ordinary shares of HK$1,000,000 were allotted and issued as fully paid to its then shareholders.

4. On November 25, 2011, the 1,000,000 shares of a par value of US$0.1 each, were repurchased and cancelled by the Company.

5. On November 25, 2011, the authorized share capital of the Company was reduced by the cancellation of all of the 2,000,000 authorized but unissued shares of a par value of US$0.1 each, such that the authorized share capital of the Company was reduced to HK$50,000,000 divided into 5,000,000,000 ordinary shares with a par value of HK$0.01 each.

6. The companies now comprising the Group underwent and completed a Reorganisation on August 4, 2011 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Our History and Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2011.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our combined net tangible assets as of June 30, 2011 as if it had taken place on June 30, 2011.

The unaudited pro forma adjusted combined 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 financial position of our Group had the Global Offering been completed as of June 30, 2011 or any future date. It is prepared based on our combined net assets as of June 30, 2011 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as of June 30, 2011	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000 *(Note 1)*	**RMB'000** *(Note 2)*	**RMB'000** *(Note 3)*	**RMB** *(Note 4)*	**(HK$ equivalent)** *(Note 5)*
Based on an offer price of HK$8.50 per Share	461,540	2,128,949	2,590,489	1.02	1.25
Based on an offer price of HK$10.80 per Share	461,540	2,720,909	3,182,449	1.26	1.54

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2011 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited combined equity attributable to owners of the Company as of June 30, 2011 of RMB463,804,000 less intangible assets as of June 30, 2011 of RMB2,264,000.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$8.50 or HK$10.80 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. Details of the valuations of the Group's properties as of October 31, 2011 are set out in "Appendix IV—Property Valuation". The revaluation surplus or deficit of properties included in buildings held for own use, construction in progress, land use rights and properties under development was not incorporated in the Group's combined financial statements for the six months ended June 30, 2011. If the revaluation surplus was recorded in the Group's combined financial statements, the annual depreciation expense would increase by approximately RMB0.2 million.

4. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,528,740,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2011 and an Offer Price of HK$8.50 per Share, being the low end of the Offer Price range, and 2,528,740,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2011 and an Offer Price of HK$10.80 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.

5. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8156, the prevailing rate quoted by the PBOC on November 24, 2011.

6. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2011.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma forecasted earnings per Share for the financial year ending December 31, 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2011. It has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	For the year ending December 31, 2011
Consolidated forecast profit attributable to owners of the Company[(1)(2)]	Not less than RMB600.0 million (approximately HK$735.7 million)
Unaudited pro forma forecast earnings per Share[(3)]	Not less than RMB0.237 (approximately HK$0.291)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 have been prepared are summarized in Appendix III to this prospectus.

(2) The consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 prepared by our Directors is based on the audited combined results of our Group for the six months ended June 30, 2011 and the unaudited consolidated results of our Group for the three months ended September 30, 2011 and a forecast of the consolidated results of our Group for the remaining three months ending December 31, 2011 on the basis that the current group structure had been in existence throughout the whole financial year ending December 31, 2011. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by our Group as set out in the Accountants' Report in Appendix I to this prospectus.

(3) The unaudited pro forma forecasted earnings per Share is calculated by dividing the consolidated forecast profit attributable to owners of the Company for the year ending December 31, 2011 by a total of 2,528,740,000 Shares in issue, assuming that the Global Offering has been completed on January 1, 2011 (without taking into account the Over-allotment Option).

C. LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

安永 ERNST & YOUNG

18th Floor
Two International Finance Center
8 Finance Street
Central, Hong Kong

December 2, 2011

The Directors
Baoxin Auto Group Limited
Morgan Stanley Asia Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets and unaudited pro forma forecast earnings per share (the "Unaudited Pro Forma Financial Information") of Baoxin Auto Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of 379,320,000 shares of HK$0.01 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated December 2, 2011 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the Unaudited 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").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial

information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at June 30, 2011 or any future dates; or
- the forecast earnings per share of the Group for the year ending December 31, 2011 or any future periods.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited 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

Our forecast profit attributable to the owners of the Company for the year ending December 31, 2011 is set out in the section headed "Financial Information—Profit Forecast for the Year Ending December 31, 2011" in this prospectus.

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast profit attributable to the owners of the Company for the year ending December 31, 2011 based on the audited combined results of the Group for the six months ended June 30, 2011, the unaudited consolidated results based on the management accounts of the Group for the three months ended September 30, 2011 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2011.

The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as summarized in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

B. LETTERS

The following is the text of letters, prepared for inclusion in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants and the Joint Sponsors in connection with the profit forecast.

(1) Letter from the Reporting Accountants



18th Floor
Two International Finance Center
8 Finance Street
Central, Hong Kong

December 2, 2011

The Directors
Baoxin Auto Group Limited
Morgan Stanley Asia Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Baoxin Auto Group Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ending 31 December 2011 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast for the Year Ending December 31, 2011" under the section headed "Financial Information" in the prospectus of the Company dated December 2, 2011 (the "Prospectus") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited combined results of the Group for the six months ended June 30, 2011, the unaudited consolidated results of the Group for the three months ended September 30, 2011 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Section A—Bases and Assumptions of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated December 2, 2011, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

(2) Letter from the Joint Sponsors

Morgan Stanley J.P.Morgan

December 2, 2011

The Directors
Baoxin Auto Group Limited

Dear Sirs,

We refer to the forecast consolidated profit attributable to the equity holders of Baoxin Auto Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ending December 31, 2011 (the "**Forecast**") as set out in the prospectus issued by the Company dated December 2, 2011 (the "**Prospectus**").

The Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Group for the six months ended June 30, 2011, the unaudited consolidated results based on the management accounts of the Group for the three months ended September 30, 2011 and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2011.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Forecast has been made. We have also considered the letter dated December 2, 2011 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Forecast, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of
Morgan Stanley Asia Limited
George Taylor
Managing Director

For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David Lau
Managing Director

The following is the text of a letter, summary of values and valuation certificate, prepared for inclusion in this prospectus, received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as of October 31, 2011 of the properties of the Group.



Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

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EA Licence: C-023750
savills.com

December 2, 2011

The Directors
Baoxin Auto Group Limited
P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Dear Sirs,

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which Baoxin Auto Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at October 31, 2011 (the "date of valuation") for the purpose of incorporation in a Public Offering Document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or

concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the owners of the properties have proper legal titles and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In valuing the property in Group I, which is mainly held by the Group for owner occupation in the PRC, due to the nature of the building and structures that were constructed, there are no readily identifiable market comparables, and the building and structures cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of their depreciated replacement costs. We would define "depreciated replacement cost" to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach is subject to adequate potential profitability of the business concerned.

In valuing the property interests in Group II, which are held by the Group under development in the PRC, we have valued the property interests on the basis that each property will be or can be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals from relevant authorities for such schemes have been obtained. In arriving at our opinion of values, we have taken into account the construction costs and professional fees relevant to the stages of construction as at the date of valuation and the outstanding costs to be spent to complete the development.

In valuing the property interests in Group III, which are held by the Group for future development in the PRC, we have valued the property interests by the direct comparison approach assuming sale in their existing states with the benefit of vacant possession.

In valuing the property interest to be acquired by the Group in Group IV, we have assigned no commercial value to the property as the Group has not obtained the Land Use Rights Certificate and has paid partial land premium only.

In valuing the property interests in Group V, which are rented by the Group in the PRC, we have assigned no commercial values to these properties due to the prohibition against assignment or sub-letting or otherwise due to the lack of profit rent and/or the short term nature of the respective leases.

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not searched the original documents to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC's legal adviser, Jingtian & Gongcheng, on PRC laws, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, estimated completion dates, construction costs to be spent, site and

floor areas and all relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation report is prepared in accordance with the requirements set out in Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors, and in compliance with Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of the Company Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions), the full details of the leased properties under operation leases have been excluded from the valuation certificate in our valuation report to this prospectus whilst the full valuation report will form part of the listing documents for public inspection.

Unless otherwise stated, all money amounts are stated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C K Lau is a qualified valuer and has over 19 years' experience of valuing properties in both Hong Kong and the PRC.

SUMMARY OF VALUES

Group I—Property interest held by the Group for owner occupation in the PRC

No.	Property	Capital value in existing state as at October 31, 2011 (RMB)	Interest attributable to the Group	Capital value attributable to the Group as at October 31, 2011 (RMB)
1.	An automobile showroom located at No. 2588 Wudong Road, Guoling Sub-district, Wuzhong District, Suzhou, Jiangsu Province, PRC	11,900,000	100%	11,900,000
	Sub-total:	11,900,000		11,900,000

Group II—Property interests held by the Group under development in the PRC

2.	A parcel of land located at Dingba Village, Yushan Town, Changshu, Jiangsu Province, PRC	96,300,000	100%	96,300,000
3.	Lot No. 9-2, Jiuqing Zone, Logistic Centre, Ninghai County, Ningbo, Zhejiang Province, PRC	14,900,000	100%	14,900,000
	Sub-total:	111,200,000		111,200,000

No.	Property	Capital value in existing state as at October 31, 2011 (RMB)	Interest attributable to the Group	Capital value attributable to the Group as at October 31, 2011 (RMB)
Group III—Property interests held by the Group for future development in the PRC				
4.	A parcel of land located on the southeast of the junction of Northwest Loop and Yangzijiang North Road, Weiyang District, Yangzhou, Jiangsu Province, PRC	44,300,000	100%	44,300,000
5.	A parcel of land located in Yingyi Village, Ningwei Town, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	93,200,000	90%	83,880,000
6.	A parcel of land located on the south of Wei 8th Road, Taizhou Economic Development Zone, Taizhou, Jiangsu Province, PRC	13,500,000	100%	13,500,000
	Sub-total:	151,000,000		141,680,000
Group IV—Property interest contracted to be acquired by the Group in the PRC				
7.	Lot No. A-10, Fuyang Automobile City, Jinqiao North Road, Fuyang, Zhejiang Province, PRC *(see Note i)*			No commercial value
	Sub-total:			Nil

No.	Property	Capital value in existing state as at October 31, 2011 (RMB)	Interest attributable to the Group	Capital value attributable to the Group as at October 31, 2011 (RMB)
Group V—Property interests rented by the Group in the PRC				
8.	Various properties rented by the Group in PRC *(see Note ii)*			No commercial value
	Sub-total:			Nil
	Grand total:	**274,100,000**		**264,780,000**

Notes:

(i) In the course of our valuation, we have assigned no commercial value to the property. Had the Group obtained the State-owned Land Use Rights Certificate and fully settled the land premium as at the date of valuation, the capital value of the property was estimated to be RMB36,800,000.

(ii) For reference purpose, the total depreciated replacement cost of the buildings constructed or being constructed by the Group in Property No. 8 is approximately RMB419,000,000.

VALUATION CERTIFICATE

Group I—Property interest held by the Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
1.	An automobile showroom located at No. 2588 Wudong Road, Guoling Sub-district, Wuzhong District, Suzhou, Jiangsu Province, PRC	The property comprises a parcel of land with a site area of approximately 9,687.00 sq.m. (104,271 sq.ft.) on which a 2-storey automobile showroom is erected. The property was completed in 2005 and has a total gross floor area of approximately 4,439.66 sq.m. (47,789 sq.ft.). The land use rights of the property have been granted for a term expiring on May 23, 2055 for industrial use.	The property is occupied by the Group for automobile showroom use.	RMB11,900,000 (100% interest attributable to the Group: RMB11,900,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate Wu Guo Yong (2009) No. 06100332 dated July 16, 2009, the land use rights of a parcel of land with a site area of approximately 9,687.00 sq.m. have been granted to Suzhou Baoxin Automobile Sales & Services Co., Ltd. (''Suzhou Baoxin''), a wholly-owned subsidiary of the Company, for a term expiring on May 23, 2055 for industrial use.

2. Pursuant to the Building Ownership Certificate Su Fang Quan Zheng Wu Zhong Zi No. 00053148, the building ownership of the property with a total gross floor area of approximately 4,439.66 sq.m. is vested in Suzhou Baoxin for non-residential use.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Suzhou Baoxin is the legal owner of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of the property; and

   ii. the property is mortgaged. Suzhou Baoxin has to obtain the mortgagee's approval before transferring, leasing or disposing of the property within the mortgage periods.

Group II—Property interests held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
2.	A parcel of land located at Dingba Village, Yushan Town, Changshu, Jiangsu Province, PRC	The property comprises a parcel of land with a site area of approximately 8,604.00 sq.m. (92,613 sq.ft.) on which a composite building is being constructed. In accordance with the development scheme provided by the Group, the property has a total gross floor area of approximately 20,560.00 sq.m. (221,308 sq.ft.) upon completion and is scheduled for completion in 2012. The land use rights of the property have been granted for a term expiring on October 24, 2047 for commercial service use.	The property is under construction.	RMB96,300,000 (100% interest attributable to the Group: RMB96,300,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract entered into between Changshu Land Resources Bureau and Changshu Baoxin Automobile Sales & Services Co., Ltd. ("Changshu Baoxin"), a wholly-owned subsidiary of the Company, on October 25, 2007, the land use rights of a parcel of land with a site area of approximately 8,604.00 sq.m. have been granted to Changshu Baoxin for commercial and office uses. The consideration was in the sum of RMB19,550,000.

2. Pursuant to the State-owned Land Use Rights Certificate Chang Guo Yong (2007) No. 2007002268 dated November 12, 2007, the land use rights of a parcel of land with a site area of approximately 8,604.00 sq.m. have been granted to Changshu Baoxin for a term expiring on October 24, 2047 for commercial service use.

3. Pursuant to the Construction Land Planning Permit Di Zi No. 320581200800029 dated May 4, 2008, Changshu Baoxin is permitted to develop a parcel of land with a site area of approximately 8,604.00 sq.m.

4. Pursuant to the Construction Works Planning Permit No. 320581201000488 dated August 24, 2010, the proposed development of the property with a total gross floor area of approximately 20,560.00 sq.m. have been approved.

5. Pursuant to the Construction Works Commencement Permit No. 320581201012070401 dated December 7, 2010, the planned construction works of the property with a total gross floor area of approximately 20,560 sq.m. have been permitted to commence.

6. As advised by the Group, the estimated construction cost for the completion of the proposed development was approximately RMB73,600,000 in which approximately RMB51,520,000 has been paid as at the date of valuation. We have taken into account the aforesaid payment during the course of our valuation.

7. In our opinion, the capital value of the proposed development as if completed as at the date of valuation was RMB158,120,000.

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Changshu Baoxin has legally obtained the land use rights of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of the property;

   ii. Changshu Baoxin has obtained the relevant planning and commencement approvals for the construction works of the property. Upon completion, Changshu Baoxin will have the rights to obtain the Building Ownership Certificate for the buildings and will be entitled to occupy, use, transfer, lease, mortgage or dispose of the buildings; and

   iii. the property is mortgaged.

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
3.	Lot No. 9-2, Jiuqing Zone, Logistic Centre, Ninghai County, Ningbo, Zhejiang Province, PRC	The property comprises a parcel of land with a site area of approximately 5,200.00 sq.m. (55,973 sq.ft.) on which an automobile showroom is being constructed. In accordance with the development scheme provided by the Group, the property has a total gross floor area of approximately 6,047.00 sq.m. (65,090 sq.ft.) upon completion and is scheduled for completion in 2011. The land use rights of the property have been granted for a term expiring on April 25, 2050 for commercial service use.	The property is under construction.	RMB14,900,000 (100% interest attributable to the Group: RMB14,900,000)

Notes:

1. Pursuant to the State-owned Construction Land Use Rights Grant Contract entered into between Ninghai County Land Resources Bureau and Ninghai Baoxin Automobile Sales & Services Co., Ltd. (''Ninghai Baoxin''), a wholly-owned subsidiary of the Company, on April 26, 2010, the land use rights of a parcel of land with a site area of approximately 5,200.00 sq.m. have been granted to Ninghai Baoxin for commercial (automobile 4S shop) use. The consideration was in the sum of RMB5,320,000.

2. Pursuant to the State-owned Land Use Rights Certificate Ning Guo Yong (2010) No. 03426 dated July 6, 2010, the land use rights of a parcel of land with a site area of approximately 5,200.00 sq.m. have been granted to Ninghai Baoxin for a term expiring on April 25, 2050 for commercial service use.

3. Pursuant to the Construction Land Planning Permit Di Zi No.2010 Zhe Gui Di Zheng 0250073 dated June 21, 2010, Ninghai Baoxin is permitted to develop a parcel of land with a site area of approximately 5,200.00 sq.m.

4. Pursuant to the Construction Works Planning Permit 2010 Zhe Gui Jian Zheng No. 0250138 dated August 24, 2010, the proposed development of the property with a total gross floor area of approximately 6,047.00 sq.m. have been approved.

5. Pursuant to the Construction Works Commencement Permit No. 10087 dated November 30, 2010, the planned construction works of the property with a construction scale of 6,047.00 sq.m. have been permitted to commence.

6. As advised by the Group, the estimated construction cost for the completion of the proposed development was approximately RMB9,670,000 in which approximately RMB9,186,500 has been paid as at the date of valuation. We have taken into account the aforesaid payment during the course of our valuation.

7. In our opinion, the capital value of the proposed development as if completed as at the date of valuation was RMB15,880,000.

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Ninghai Baoxin has legally obtained the land use rights of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of the property;

   ii. Ninghai Baoxin has obtained the relevant planning and commencement approvals for the construction works of the property. Upon completion, Ninghai Baoxin will have the rights to obtain the Building Ownership Certificate for the buildings and will be entitled to occupy, use, transfer, lease, mortgage or dispose of the buildings; and

   iii. the property is mortgaged.

Group III—Property interests held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
4.	A parcel of land located on the southeast of the junction of Northwest Loop and Yangzijiang North Road, Weiyang District, Yangzhou, Jiangsu Province, PRC	The property comprises a parcel of land with a site area of approximately 10,549.10 sq.m. (113,551 sq.ft.). The land use rights of the property have been granted for a term expiring on April 14, 2051 for commercial service use.	The property is a vacant site.	RMB44,300,000 (100% interest attributable to the Group: RMB44,300,000)

Notes:

1. Pursuant to the State-owned Construction Land Use Rights Grant Contract entered into between Yangzhou Land Resources Bureau and Jiangsu Hulong Investment Co., Ltd. ("Jiangsu Hulong"), a wholly-owned subsidiary of the Company, on February 13, 2011, the land use rights of a parcel of land with a site area of approximately 10,549.00 sq.m. have been granted to Jiangsu Hulong. The consideration was in the sum of RMB21,519,960.

2. Pursuant to the State-owned Land Use Rights Certificate Yang Guo Yong (2011) No. 0214 dated May 3, 2011, the land use rights of a parcel of land with a site area of approximately 10,549.10 sq.m. have been granted to Jiangsu Hulong, a wholly-owned subsidiary of the Company, for a term expiring on April 14, 2051 for commercial service use.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Jiangsu Hulong has legally obtained the land use rights of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of the property; and

   ii. the property is free from any mortgage.

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
5.	A parcel of land located in Yingyi Village, Ningwei Town, Xiaoshan District, Hangzhou, Zhejiang Province, PRC	The property comprises a parcel of land with a site area of approximately 5,176.00 sq.m. (55,714 sq.ft.). The land use rights of the property have been granted for a term expiring on April 23, 2049 for commercial and office uses.	The property is a vacant site.	RMB93,200,000 (90% interest attributable to the Group: RMB83,880,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract entered into between Hangzhou Land Resources Bureau Xiaoshan Branch, Hangzhou Baoxin Automobile Sales & Services Co., Ltd. ("Hangzhou Baoxin"), a 90%-owned subsidiary of the Company, on April 23, 2009 (the "Contract"), the land use rights of a parcel of land with a site area of approximately 5,176.00 sq.m. have been granted to Hangzhou Baoxin for commercial and office uses. The consideration was in the sum of RMB31,370,000.

2. Pursuant to the Supplemental Agreement to the Contract as mentioned in Note 1 entered into between the Hangzhou Land Resources Bureau, Xiaoshan Branch, Hangzhou Baoxin and Hangzhou Baoxin Real Estate Co., Ltd ("Hangzhou Baoxin Real Estate") on August 16, 2010, the grantee has been changed to Hangzhou Baoxin Real Estate, a 90%-owned subsidiary of the Company.

3. Pursuant to the State-owned Land Use Rights Certificate Hang Xiao Guo Yong (2010) No. 0800073 the land use rights of a parcel of land with a site area of approximately 5,176.00 sq.m. have been granted to Hangzhou Baoxin Real Estate for a term expiring on April 23, 2049 for commercial and office uses.

4. Pursuant to the Construction Land Planning Permit Di Zi No. 2010 Zhe Gui Zheng 01100145 dated September 17, 2010, Hangzhou Baoxin Real Estate is permitted to develop a parcel of land with a site area of approximately 5,176.00 sq.m.

5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Hangzhou Baoxin Real Estate has legally obtained the land use rights of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of the property; and

   ii. the property is mortgaged.

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
6.	A parcel of land located on the south of Wei 8th Road, Taizhou Economic Development Area, Taizhou, Jiangsu Province, PRC	The property comprises a parcel of land with a site area of approximately 9,999.70 sq.m. (107,637 sq.ft.). The land use rights of the property have been granted for a term expiring on April 12, 2051 for commercial use.	The property is a vacant site.	RMB13,500,000 (100% interest attributable to the Group: RMB13,500,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate Tai Zhou Guo Yong Guo Yong (2011) No. 13578, the land use rights of a parcel of land with a site area of approximately 9,999.70 sq.m. have been granted to Taizhou Xinbaohang Automobile Sales & Services Co., Ltd. ("Taizhou Xinbaohang"), a wholly-owned subsidiary of the Company, for a term expiring on April 12, 2051 for commercial use.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Taizhou Xinbaohang is the legal owner of the property and is entitled to occupy, use, transfer, lease, mortgage and dispose of the property.

Group IV—Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2011
7.	Lot No. A-10, Fuyang Automobile City, Jinqiao North Road, Fuyang, Zhejiang Province, PRC	The property comprises a parcel of land with a site area of approximately 7,232.00 sq.m. (77,845 sq.ft.). The land use rights of the property have been granted for a term of 40 years for commercial (automobile 4S shop) use	The property is a vacant site.	No commercial value

Notes:

1. Pursuant to the State-owned Construction Land Use Rights Grant Contract entered into between Fuyang Land Resources Bureau and Fuyang Baoxin Automobile Sales & Services Co., Ltd. ("Fuyang Baoxin"), a wholly-owned subsidiary of the Company, on July 20, 2011, the land use rights of a parcel of land with a site area of approximately 7,232.00 sq.m. have been granted to Fuyang Baoxin for a term of 40 years for commercial (automobile 4S shop) use. The consideration was in the sum of RMB36,800,000.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. Fuyang Baoxin paid the deposit in the sum of RMB12,700,000; and

   ii. Fuyang Baoxin shall be entitled to occupy, use, transfer, lease, mortgage and dispose the property after paying the land premium in full and obtaining the State-owned Land Use Rights Certificate.

3. We have assigned no commercial value to the property because the Group has not obtained the Land Use Rights Certificate and has not settled the land premium in full. For reference purpose, had the Group obtained the State-owned Land Use Rights Certificate and fully settled the land premium as at the date of valuation, the capital value of the property was estimated to be RMB36,800,000.

Group V—Property interests rented by the Group in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at October 31, 2011
8.	Various properties rented by the Group in PRC	The properties comprise 23 retail units, 8 offices units completed in various stages between 1997 and 2011 and 14 parcels of land. The properties have a total gross floor area of approximately 82,240.16 sq.m. (885,233 sq.ft.) for the building portion and a site area of approximately 166,254.33 sq.m. (1,789,465 sq.ft.) for the land portion. The properties are leased to the Group under various tenancy agreements with the latest one expiring on July 31, 2032 at a total annual rental of approximately RMB44,203,516.	All of the properties are currently occupied by the Group for car dealerships, offices and other ancillary uses.	No commercial value

Notes:

1. We have been provided with a legal opinion on the legality to the tenancy agreements issued by the Group's PRC legal advisor, which contains, *inter alias*, the following information:

   i. some of the lessors did not provide relevant Building Ownership Certificates or other approval documents, it cannot be ascertained whether those lessors has the rights to lease the properties; and

   ii. some of tenancy agreements have not been registered and the non-registration shall not affect their validity.

2. For reference purpose, the total depreciated replacement cost of the buildings constructed by the Group is approximately RMB419,000,000.

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 the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in VII to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association was conditionally adopted on November 22, 2011 and effective on the Listing Date and states, inter alia, that the liability of 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 "Documents available for inspection" in Appendix VII to this prospectus.

2. ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on November 22, 2011 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The authorized share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles of Association is US$200,000 divided into 2,000,000 shares of par value US$0.1 each.

2.2 Board

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum 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 Board, 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 Board 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 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 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 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, provided that no regulation so made shall invalidate any prior act of the Board 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 Companies Ordinance.

(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 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 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 concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not, in aggregate, beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

(v) 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

(vi) 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 Directors, 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 Board 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 existing 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 remove any Director (including a Managing Director or other 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 or office as a result of the termination of his 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. 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 resolves 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 provisions in the Articles of Association;

(vi) if he is 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.

The rights of the Board to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks 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 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 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 of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is 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 is to be decided by way of a poll.

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.

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 meeting in that year and shall specify the meeting as such in the notices 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 Directors 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 Directors 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 notice of not less than 21 days and any other extraordinary general meeting shall be called by not less than 14 days. 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 referred to 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.

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 which 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 Directors may from time to time require) is paid to the Company in respect thereof.

If the Board refuses to register a transfer of any share it 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 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 that the registration of transfers shall not be suspended or the register 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 Board 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, unless the Board resolve prior to the repurchase that upon the repurchase the shares shall be held in the name of the Company as treasury shares.

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 Distributions

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 Board may also pay half-yearly or at other intervals to be selected by it at a fixed rate if it 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 monies 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 have 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 will 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.

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 it thinks 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 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 monies 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 shall be at liberty to 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 Board 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 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 being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its 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 sub-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: (i) 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; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) 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 (iv) 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 COMPANY 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 6 September 2010 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 premia 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 premia 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 3 above for further 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 in 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) a "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 authorized by (a) a special resolution of each constituent company and (b) such other authorization, 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 per cent. 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 of the Cayman Islands 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 per cent. 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 is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose 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 (1999 Revision) of the Cayman Islands, the Company 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 or income or gains or appreciation 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 withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 21 September, 2010.

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 to or by 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 in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII 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 under the Cayman Companies Law as an exempted company with limited liability on September 6, 2010. We have established a principal place of business in Hong Kong at Units 1803–4 18/F, Bank of America Tower, 12 Harcourt Road, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on November 16, 2011 under the same address. Mr. Yang Aihua has been appointed as our agent 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 V to this prospectus.

2. Changes in Share Capital

As of the date of our incorporation, our authorized share capital was US$50,000 divided into 500,000 shares of a par value of US$0.1 each. The following sets out the changes in our share capital since the date of our incorporation:

(a) On September 6, 2010, one share of a par value of US$0.1 was allotted, issued and credited as fully paid to Mapcal Limited as the initial subscriber. On the same day, Mapcal Limited transferred one Share to Baoxin Investment Management Ltd.

(b) On September 28, 2010, 499,999 shares of a par value of US$0.1 were allotted, issued and credited.

(c) On July 12, 2011, our authorized share capital was increased to US$200,000 divided into 2,000,000 shares of a par value of US$0.1 each. On the same date, 500,000 shares of a par value of US$0.1 were allotted, issued and credited.

(d) On November 22, 2011, our authorized share capital was increased from US$200,000 divided into 2,000,000 shares of a par value of US$0.1 each to the aggregate of US$200,000 and HK$50,000,000 divided into (i) 2,000,000 shares with a par value of US$0.1 each and (ii) 5,000,000,000 ordinary shares with a par value of HK$0.01 each by the creation of 5,000,000,000 ordinary shares with a par value of HK$0.01 each.

(e) On November 25, 2011, 100,000,000 Shares were allotted, issued and credited.

(f) On November 25, 2011, 1,000,000 shares of a par value of US$0.1 each of our Company were repurchased and cancelled.

(g) On November 25, 2011, our authorized share capital was reduced by the cancellation of the 2,000,000 authorized but unissued shares of a par value of US$0.1 each, such that the authorized share capital of the Company is HK$50,000,000 divided into 5,000,000,000 Shares.

Immediately following the completion of the Global Offering and the Capitalization Issue (but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Share Option Scheme), the issued share capital of our Company will be 25,287,400 divided into 2,528,740,000 Shares of HK$0.01 each, all fully paid or credited as fully paid and 2,471,260,000 Shares of HK$0.01 each will remain unissued.

Save as disclosed in this Appendix, there has been no alteration in our share capital since the date of our incorporation.

3. Resolutions of Our Shareholders

Pursuant to the resolutions passed by our Shareholders on November 22, 2011:

(a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

(b) change in authorized share capital, repurchase of shares of a par value of US$0.1 each and reduction of authorized share capital by cancellation of shares of a par value of US$0.1 each;

(c) 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 be and are hereby approved and the Board (or any committee thereof established by the Board pursuant to the Articles) be and is hereby 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) be and is hereby authorized to allot and 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) be and is hereby authorized to agree the price per Offer Share with the Joint Bookrunners; and

(iv) following the change in authorized share capital as referred to in paragraph (b) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Board be and is hereby authorized to capitalize HK$21,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 2,100,000,000 Shares to be allotted and issued to the Shareholders whose names are on the register of members of the Company at 8:00 a.m. on the Listing Date in proportion to their shareholdings in our Company;

(d) a general unconditional mandate be and is hereby 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 and the Capitalization Issue, 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) 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 as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalization, 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;

(f) the general mandate mentioned in paragraph (d) 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 (e) above; and

(g) the Share Option Scheme be approved and adopted and our Directors be authorised 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. Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please refer to the section "Our History and Reorganization" in this prospectus.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Beijing Xinbaohang

On June 24, 2010, Beijing Xinbaohang was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Dandong Xinbaohang

On March 9, 2011, Dandong Baoxin was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Fuyang Baoxin

On January 11, 2011, Fuyang Baoxin was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Hangzhou Baoxin Real Estate

On August 2, 2010, Hangzhou Baoxin Real Estate was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Jiangsu Hulong

On October 28, 2010, Jiangsu Hulong was incorporated under the laws of the PRC with a registered capital of RMB20 million which was fully paid up.

Jiaxing Tianhua

On May 6, 2011, Jiaxing Tianhua was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Minhang Automobiles

On August 11, 2011, Minhang Automobiles was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Kailong HK

On September 21, 2010, Kailong HK was incorporated under the laws of HK as a limited liability company with an issued share capital of HK$10,000 which was fully paid up.

Ningbo Baodinghang

On July 26, 2011, Ningbo Baodinghang was incorporated under the laws of the PRC with a registered capital of RMB5 million which was fully paid up.

Ningbo Tianhua

On April 11, 2011, Ningbo Tianhua was incorporated under the laws of the PRC with a registered capital of RMB15 million which was fully paid up.

Ninghai Baoxin

On February 25, 2010, Ninghai Baoxin was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Qingdao Baolong

On June 3, 2011, Qingdao Baolong was incorporated under the laws of the PRC with a registered capital of RMB5 million which was fully paid up.

Shanghai Baoxin

On November 12, 2010, pursuant to shareholders' resolution of Shanghai Baoxin, the registered capital of Shanghai Baoxin was increased from RMB10 million to RMB10.85 million as a result of capital injections from Bentai PRC, Hengjun PRC and Chiheng PRC, respectively. Consequently, Shanghai Baoxin was owned as to 78.34% by Kailong PRC, 13.82% by Shangchen PRC, 3.92% by Bentai PRC, 2.94% by Hengjun PRC and 0.98% by Chiheng PRC.

On November 29, 2010, pursuant to a shareholder's resolution of Shanghai Baoxin, the registered capital of Shanghai Baoxin was increased from RMB10.85 million to RMB190.8 million while the paid up capital was increased to RMB100.825 million as a result of capital injections from Kailong PRC, Shangchen PRC, Bentai PRC, Hengjun PRC and Chiheng PRC, respectively. Consequently, Shanghai Baoxin was owned as to 78.62% by Kailong PRC, 2.88% by Hengjun PRC, 0.94% by Chiheng PRC, 3.93% by Bentai PRC and 13.63% by Shangchen PRC.

On December 3, 2010, pursuant to a shareholder's resolution of Shanghai Baoxin, the registered capital of Shanghai Baoxin was increased from RMB190.8 million to RMB214.65 million while the paid up capital was increased from RMB100.825 million to RMB115.135 million as a result of capital injections by Huakong Innovation and Huakong Industry. Consequently, Shanghai Baoxin was owned as to 69.88% by Kailong PRC, 12.11% by Shangchen PRC, 3.50% by Bentai PRC, 2.56% by Hengjun PRC, 0.84% by Chiheng PRC, 6.67% by Huakong Innovation, and 4.44% by Huakong Industry.

Shanghai Minhang Kailong Decoration

On June 22, 2010, Shanghai Minhang Kailong Decoration was incorporated under the laws of the PRC with a registered capital of RMB500,000 which was fully paid up.

Shanghai Wujiaochang Kailong

On August 8, 2011, Shanghai Wujiaochang Kailong was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Shanghai Xuhui Kailong Second-hand Motor Vehicle

On September 2, 2010, Shanghai Xuhui Kailong Second-hand Motor Vehicle was incorporated under the laws of the PRC with a registered share capital of RMB100,000 which was fully paid up.

Shanghai Zhenbei Baoxin

On April 21, 2011, Shanghai Zhenbei Baoxin was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Shenyang Baoxinhang

On August 23, 2011, Shenyang Baoxinhang was incorporated under the laws of the PRC with a registered capital of RMB3 million which was fully paid up.

Suzhou Xinbaohang

On August 30, 2010, Suzhou Xinbaohang was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Taizhou Xinbaohang

On July 22, 2010, Taizhou Xinbaohang was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Tianjin Weibaohang

On August 5, 2011, Tianjin Weibaohang was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Wuxi Tianhua

On April 15, 2011, Wuxi Tianhua was incorporated under the laws of the PRC with a registered capital of RMB15 million which was fully paid up.

Xiangsong

On April 4, 2011, Xiangsong was incorporated under the laws of the BVI as a limited liability company with an issued share capital of 50,000 shares of no par value.

Yangzhou Mingkai

On September 30, 2010, Yangzhou Mingkai was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Yangzhou Xinbaohang

On March 4, 2010, Yangzhou Xinbaohang was incorporated under the laws of the PRC with a registered capital of RMB10 million which was fully paid up.

Zibo Baoxin

On October 27, 2011, Zibo Baoxin was incorporated under the laws of the PRC with a registered capital of RMB10 million among which RMB2 million was fully paid up.

6. Repurchases 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 resolution passed by our then Shareholders on November 22, 2011, 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 and the Capitalization Issue, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(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 and the Capitalization Issue. 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 a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been 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 2,528,740,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, could accordingly result in 252,874,000 Shares being repurchased by our Company during the period prior to (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 Cayman Companies Law or 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 than in issue could only 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 investment agreement dated August 4, 2010 entered into between Huakong Industry, Shanghai Baoxin, Shanghai Kailong Qimao, Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua pursuant to which Huakong Industry agreed to invest RMB500,000,000 into Shanghai Baoxin for a total of 11.11% equity interests in Shanghai Baoxin;

(b) an equity transfer agreement dated August 25, 2010 entered into between Shanghai Kailong Qimao, Kailong PRC, and Shangchen PRC pursuant to which Shanghai Kailong Qimao agreed to sell to (i) Kailong PRC 85% equity interests in Shanghai Baoxin for a consideration of RMB8,500,000 and (ii) Shangchen PRC 15% equity interests in Shanghai Baoxin for a consideration of RMB1,500,000;

(c) an equity transfer agreement dated September 10, 2010 entered into between Mr. Yang Aihua, Mr. Yang Hansong and Shanghai Baoxin pursuant to which (i) Mr. Yang Aihua agreed to sell to Shanghai Baoxin 90% equity interests in Shanghai Kailong Qimao for a consideration of RMB78,300,000 and (ii) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 10% equity interests in Shanghai Kailong Qimao for a consideration of RMB8,700,000;

(d) an equity transfer agreement dated November 14, 2010 entered into between Mr. Yang Hansong and Shanghai Baoxin pursuant to which Mr. Yang Hansong agreed to transfer to Shanghai Baoxin 40% equity interests in Tianjin Baoxin;

(e) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Hansong, Mr. Yang Aihua and Shanghai Baoxin pursuant to which (i) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 40% equity interests in Qingdao Xinbaohang for a consideration of RMB4,000,000 and (ii) Mr. Yang Aihua agreed to sell to Shanghai Baoxin 60% equity interests in Qingdao Xinbaohang for a consideration of RMB6,000,000;

(f) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Aihua, Mr. Yang Hansong and Shanghai Taipingyang Hongqiao pursuant to which (i) Mr. Yang Aihua agreed to sell to Shanghai Taipingyang Hongqiao 70% equity interests in Shanghai Taipingyang Jinsha for a consideration of RMB7,000,000 and (ii) Mr. Yang Hansong agreed to sell to Shanghai Taipingyang Hongqiao 20% equity interests in Shanghai Taipingyang Jinsha for a consideration of RMB2,000,000;

(g) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Zehua and Shanghai Baoxin pursuant to which Mr. Yang Zehua agreed to sell to Shanghai Baoxin certain equity interests in Hangzhou Baoxin;

(h) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Hansong, Mr. Yang Zehua and Shanghai Baoxin pursuant to which (i) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 30% equity interests in Taizhou Xinbaohang for a consideration of RMB 3,000,000 and (ii) Mr. Yang Zehua agreed to sell to Shanghai Baoxin 70% equity interest in Taizhou Xinbaohang for a consideration of RMB 7,000,000;

(i) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Hansong, Mr. Yang Zehua and Shanghai Baoxin pursuant to which (i) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 50% equity interests in Shanghai Kailong Zhuanghuang for a consideration of RMB 250,000 and (ii) Mr. Yang Zehua agreed to sell to Shanghai Baoxin 50% equity interests in Shanghai Kailong Zhuanghuang for a consideration of RMB250,000;

(j) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Aihua and Shanghai Taipingyang Hongqiao pursuant to which Mr. Yang Aihua agreed to sell to Shanghai Taipingyang Hongqiao 30% equity interests in Shanghai Taipingyang Shenlong for a consideration of RMB1,500,000;

(k) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Zehua and Shanghai Baoxin pursuant to which Mr. Yang Zehua agreed to sell to Shanghai Baoxin 10% equity interests in Shanghai Tianhua for a consideration of RMB1,000,000;

(l) an equity transfer agreement dated November 15, 2010 entered into between Mr. Yang Aihua, Mr. Yang Hansong and Shanghai Baoxin pursuant to which (i) Mr. Yang Aihua agreed to sell to Shanghai Baoxin 70% equity interests in Shanghai Xuhui Baoxin for a consideration of RMB7,000,000 and (ii) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 20% equity interests in Shanghai Xuhui Baoxin for a consideration of RMB2,000,000;

(m) an equity transfer agreement dated November 16, 2010 entered into between Mr. Yang Aihua, Mr. Yang Zehua and Shanghai Baoxin pursuant to which (i) Mr. Yang Aihua agreed to sell to Shanghai Baoxin 60% equity interests in Ningbo Baoxin for a consideration of RMB6,000,000 and (ii) Mr. Yang Zehua agreed to sell to Shanghai Baoxin 40% equity interests in Ningbo Baoxin for a consideration of RMB4,000,000;

(n) an equity transfer agreement dated November 18, 2010 entered into between Mr. Yang Aihua and Shanghai Baoxin pursuant to which Mr. Yang Aihua agreed to sell to Shanghai Baoxin 70% equity interests in Yangzhou Xinbaohang for a consideration of RMB7,000,000;

(o) an equity transfer agreement dated November 18, 2010 entered into between Mr. Yang Zehua, Mr. Yang Hansong and Shanghai Baoxin pursuant to which (i) Mr. Yang Zehua agreed to sell to Shanghai Baoxin 70% equity interests in Ninghai Baoxin for a consideration of RMB7,000,000 and (ii) Mr. Yang Hansong agreed to sell to Shanghai Baoxin 30% equity interests in Ninghai Baoxin for a consideration of RMB3,000,000;

(p) an equity transfer agreement dated November 22, 2010 entered into between Mr. Yang Hansong and Shanghai Baoxin pursuant to which Mr. Yang Hansong agreed to sell to Shanghai Baoxin RMB8,000,000 equity interests in Suzhou Baoxin for a consideration of RMB8,000,000;

(q) an equity transfer agreement dated November 22, 2010 entered into between Mr. Yang Aihua and Shanghai Baoxin pursuant to which Mr. Yang Aihua agreed to sell to Shanghai Baoxin RMB2,000,000 equity interests in Suzhou Baoxin for a consideration of RMB2,000,000;

(r) a supplemental investment agreement dated December 2, 2010 entered into between Huakong Industry, Huakong Innovation, Shanghai Baoxin, Kailong PRC, Shangchen PRC, Hengjun PRC, Chiheng PRC, Bentai PRC, Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua in relation to the investment agreement dated August 4, 2010 and the subscription of equity interests in Shanghai Baoxin by Huakong Industry and Huakong Innovation;

(s) an equity transfer agreement dated December 21, 2010 entered into between Shanghai Baoxin and Mr. Liu Yan pursuant to which Shanghai Baoxin agreed to sell to Mr. Liu Yan RMB1,000,000 equity interests in Shenyang Xinbaohang;

(t) an equity transfer agreement dated February 22, 2011 entered into between Shanghai Baoxin and Kailong HK pursuant to which Shanghai Baoxin agreed to sell to Kailong HK the entire equity interests in Suzhou Baoxin for a consideration of RMB14,280,000;

(u) an equity transfer agreement dated March 11, 2011 entered into between Mr. Yang Hansong and Suzhou Baoxin pursuant to which Mr. Yang Hansong agreed to sell to Suzhou Baoxin RMB2,000,000 equity interests in Suzhou Xinbaohang for a consideration of RMB2,000,000;

(v) an equity transfer agreement dated March 11, 2011 entered into between Mr. Yang Aihua and Suzhou Baoxin pursuant to which Mr. Yang Aihua agreed to sell to Suzhou Baoxin RMB8,000,000 equity interests in Suzhou Xinbaohang for a consideration of RMB8,000,000;

(w) an equity transfer agreement dated May 29, 2011 entered into between Shanghai Hanchuan and Suzhou Xinbaohang pursuant to which Shanghai Hanchuan agreed to sell to Suzhou Xinbaohang the entire equity interests in Jiaxing Tianhua for a consideration of RMB10,000,000;

(x) an equity transfer agreement dated June 10, 2011 entered into between Shanghai Hanchuan and Suzhou Xinbaohang pursuant to which Shanghai Hanchuan agreed to sell to Suzhou Xinbaohang the entire equity interests in Ningbo Tianhua for a consideration of RMB15,000,000;

(y) an equity transfer agreement dated June 10, 2011 entered into between Shanghai Hanchuan and Suzhou Xinbaohang pursuant to which Shanghai Hanchuan agreed to sell to Suzhou Xinbaohang the entire equity interests in Wuxi Tianhua for a consideration of RMB15,000,000;

(z) an equity transfer agreement dated June 28, 2011 entered into between Huakong Industry and Suzhou Baoxin pursuant to which Huakong Industry agreed to sell to Suzhou Baoxin 3.244% equity interests in Shanghai Baoxin for a consideration of RMB6,963,246;

(aa) an equity transfer agreement dated June 28, 2011 entered into between Huakong Innovation and Suzhou Baoxin pursuant to which Huakong Innovation agreed to sell to Suzhou Baoxin 4.866% equity interests in Shanghai Baoxin for a consideration of RMB10,444,869;

(bb) an equity transfer agreement dated June 28, 2011 entered into between Kailong PRC and Suzhou Baoxin pursuant to which Kailong PRC agreed to sell to Suzhou Baoxin 69.88% equity interests in Shanghai Baoxin for a consideration of RMB150,000,000;

(cc) an equity transfer agreement dated June 28, 2011 entered into between Chiheng PRC and Suzhou Baoxin pursuant to which Chiheng PRC agreed to sell to Suzhou Baoxin 0.84% equity interests in Shanghai Baoxin for a consideration of RMB1,800,000;

(dd) an equity transfer agreement dated June 28, 2011 entered into between Shangchen PRC and Suzhou Baoxin pursuant to which Shangchen PRC agreed to sell to Suzhou Baoxin 12.11% equity interests in Shanghai Baoxin for a consideration of RMB26,000,000;

(ee) an equity transfer agreement dated June 28, 2011 entered into between Hengjun PRC and Suzhou Baoxin pursuant to which Hengjun PRC agreed to sell to Suzhou Baoxin 2.56% equity interests in Shanghai Baoxin for a consideration of RMB5,500,000;

(ff) an equity transfer agreement dated June 28, 2011 entered into between Bentai PRC and Suzhou Baoxin pursuant to which Bentai PRC agreed to sell to Suzhou Baoxin 3.5% equity interests in Shanghai Baoxin for a consideration of RMB7,500,000;

(gg) an equity transfer agreement dated June 28, 2011 entered into between Huakong Industry, Huakong Innovation, Shanghai Baoxin, Suzhou Baoxin, the Company, Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua pursuant to which Huakong Industry and Huakong Innovation agreed, subject to certain conditions set out therein, to sell to Suzhou Baoxin 3% equity interests in Shanghai Baoxin for a consideration of RMB550 million;

(hh) an equity transfer agreement dated August 15, 2011 entered into between Shanghai Kailong Qixiao and Shanghai Kailong Qimao pursuant to which Shanghai Kailong Qixiao agreed to sell to Shanghai Kailong Qimao the entire equity interests in Minhang Automobiles for a consideration of RMB10,000,000;

(ii) an asset transfer agreement dated August 15, 2011 entered into between Shanghai Kailong Qixiao and Minhang Automobiles pursuant to which Shanghai Kailong Qixiao agreed to sell to Minhang Automobiles all the operational assets of Shanghai Kailong Qixiao for a consideration of RMB41,040,271;

(jj) the Deed of Non-Competition dated November 23, 2011 entered into between the Controlling Shareholders in favour of our Company regarding non-competition undertakings given by the Controlling Shareholders, details of which are set out in the section headed "Relationship with our Controlling Shareholders—Non-competition Undertaking" in this prospectus;

(kk) the Deed of Indemnity dated November 23, 2011 entered into between the Controlling Shareholders and the Company, details of which are set out in the section headed "D. Other Information—1. Indemnity" in this Appendix; and

(ll) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

Trademarks

As of the Latest Practicable Date, we have registered the following trademark:

Trademark	Place of Registration	Registered Owner	Expiry Date	Registration Number
开隆	PRC	Shanghai Kailong Qimao	January 2016	3678941

As of the Latest Practicable Date, we have made an application for the registration of the following trademark:

Trademark	Place of Registration	Applicant	Application Date	Class	Application Number
	Hong Kong	our Company	November 2011	35	302095308

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 and the Capitalisation Issue (without taking into account the exercise of the Over-allotment Option and any Shares that may be issued upon exercise of option which may be granted upon 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

Name of Director	Nature of interest	Number of Shares or underlying Shares[(1)]	Approximate percentage of shareholding interest
Mr. Yang Aihua [(2)]	Beneficial owner	1,819,200,000[(L)] 56,898,000[(S)]	71.95%
Mr. Yang Hansong [(3)]	Beneficial owner	1,552,780,000[(L)] 56,898,000[(S)]	61.41%
Mr. Yang Zehua [(4)]	Beneficial owner	1,819,200,000[(L)] 56,898,000[(S)]	71.95%

Notes:

(1) The letter "L" denotes the person's long position in such Shares and "S" denotes the person's short position in the Shares.

(2) Mr. Yang Aihua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the Shares held by Baoxin Investment and Auspicious Splendid. Among the Shares held by Baoxin Investment, 56,898,000 Shares will be subject of the Stock Borrowing Agreement and half of such Share will be sold upon a full exercise of the Over-allotment Option.

(3) Mr. Yang Hansong is one of the beneficiaries of the Family Trust and is deemed to be interested in the Shares held by Baoxin Investment. Among the Shares held by Baoxin Investment, 56,898,000 Shares will be subject of the Stock Borrowing Agreement and half of such Share will be sold upon a full exercise of the Over-allotment Option.

(4) Mr. Yang Zehua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the Shares held by Baoxin Investment and Auspicious Splendid. Among the Shares held by Baoxin Investment, 56,898,000 Shares will be subject of the Stock Borrowing Agreement and half of such Share will be sold upon a full exercise of the Over-allotment Option.

(b) Interests and short positions of the substantial shareholders in the Shares and Underlying Shares of Our Company

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account the exercise of the Over-allotment Option 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 have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interest	Shares held immediately following the completion of the Global Offering	
		Number[(1)]	Percentage
Baoxin Investment Management Ltd[(2)]	Beneficial interest	1,552,780,000[(L)] 56,898,000[(S)]	61.41%
Sunny Sky Limited[(2)]	Trustee	1,552,780,000[(L)] 56,898,000[(S)]	61.41%
Credit Suisse Trust Limited[(2)]	Trustee	1,552,780,000[(L)] 56,898,000[(S)]	61.41%
Auspicious Splendid Global Investments Limited	Beneficial interest	266,420,000[(L)]	10.54%
Ms. Yang[(3)]	Trustee	266,420,000[(L)]	10.54%
Tsinghua Industry Investment Fund I, L.P.	Beneficial interest	30,527,662[(L)]	1.21%
Tsinghua Industry Investment Fund II, L.P.	Beneficial interest	40,840,338[(L)]	1.61%
Innovation Capital, L.P.	Beneficial interest	107,052,000[(L)]	4.23%
TH Capital[(4)]	Interest in controlled corporation	178,420,000[(L)]	7.05%

Notes:

(1) The letter "L" denotes the person's long position in such Shares and "S" denotes the person's short position in the Shares.

(2) Sunny Sky Limited is deemed to be interested in the Shares as the legal owner of the entire issued share capital of Baoxin Investment. Sunny Sky Limited is controlled by Credit Suisse Trust Limited which is the trustee of the Family Trust. Among the Shares held by Baoxin Investment, 56,898,000 Shares will be subject of the Stock Borrowing Agreement and half of such Share will be sold upon a full exercise of the Over-allotment Option.

(3) Ms. Yang is deemed to be interested in the Shares as the legal owner of the entire issued share capital of Auspicious Splendid as the trustee pursuant to the trust deed in respect of the Yang Trust dated July 12, 2011.

(4) TH Capital is the general partner of Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P. and Innovation Capital, L.P. and is deemed to be interested in the Shares held by them.

(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 and the Capitalization Issue (without taking into account the exercise of the Over-allotment Option and 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):

Name of shareholder	Name of members of the Group	Capacity/Nature of interest	Share of capital contribution to registered capital	Approximate percentage of interests
Mr. Wang Yang	Fuyang Baoxin	Beneficial owner	RMB1 million	10%
Mr. Bo Yutang	Yangzhou Xinbaohang	Beneficial owner	RMB3 million	30%
Mr. Wang Yang	Hangzhou Baoxin	Beneficial owner	RMB1 million	10%
力天集團有限公司 (Liten Group Co., Ltd.)	Beijing Xinbaohang	Beneficial owner	RMB4.9 million	49%
上海五角場(集團)有限公司 (Shanghai Wujiaochang (Group) Co., Ltd.)	Shanghai Wujiaochang Kailong	Beneficial owner	RMB2.1 million	21%
Shuangri Entities	Shanghai Kailong Toyota	Beneficial owners	RMB12 million	15%
Ms. Xu Runfang	Shanghai Taipingyang Jinsha	Beneficial owner	RMB1 million	10%
Mr. Zhou Wenfang	Zibo Baoxin	Beneficial owner	RMB0.5 million	15%

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 their respective date of appointment, 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 their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive director is 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 year ended December 31, 2010, the aggregate of the compensation and benefits in kind payable to the Directors was approximately RMB2.5 million. Details of the Directors' remuneration are also set out in note 10 of the Accountants' 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 year end December 31, 2010 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, 2011 is estimated to be approximately RMB4.3 million.

(iv) None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended December 31, 2010 (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, 2010.

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 "—Other Information—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 "—Other Information—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 "—Other Information—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) save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the parties listed in the section headed "—Other Information—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. OTHER INFORMATION

1. Indemnity

The Controlling Shareholders (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 (kk) of the section headed "B. Further Information About Our Business—1. 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 in or diminution in the value of the assets of the Company 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 relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; or (c) all property losses and property claims arising from, or in connection with, directly or indirectly, the properties owned or occupied by the Group with defective title.

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; (b) the taxation falling on the Company and our subsidiaries in respect of any accounting period commencing on or after July 1, 2011 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. 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 resolution passed by our Shareholders on November 22, 2011. 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 incentivize and reward the Eligible Persons (as defined in sub-paragraph (b) below) for their contribution to our Company and the subsidiaries and associated companies of our Company 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

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) an employee (whether full-time or part-time) or a director who is holding salaried office or employment with our Company or any subsidiaries or associated companies of our Company ("**Eligible Employee**");

(ii) a non-executive director of our Company or any subsidiaries or associated companies of our Company (including independent non-executive Director);

(iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of our Company or any subsidiaries or associated companies of our Company 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 our Company or any subsidiaries or associated companies of our Company,

who the Board considers, in its sole discretion, has contributed or will contribute to our Company or any subsidiaries or associated companies of our Company (collectively, the "**Eligible Persons**").

(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 options to be granted under the Share Option Scheme and any options granted under any other share option schemes of our Company must not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"), excluding for this purpose options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company, provided that:

(i) our Company may at any time as the Board think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit save that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit shall not exceed 10% of the Shares in issue as at the date on which the shareholders of our Company approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the relevant scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(ii) our Company may seek separate approval from our Shareholders in general meeting for granting options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to our Shareholders a circular containing, among other things, a generic description of the specified Eligible Person who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Person with an explanation as to how the terms of the options serve such purpose and such other information required under Chapter 17 of the Listing Rules; and

(iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer, exceeds 1% of the Shares in issue at such date. Any further grant of options in excess of this 1% limit shall be subject to the approval of our shareholders in general meeting with such Eligible Person and his associates (as defined in the Listing Rules) abstaining from voting. Our Company shall send to our shareholders a circular containing the identity of the Eligible Person, the numbers and terms of the options to be granted (and options previously granted to such Eligible Participant) and such other information required under Chapter 17 of the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before our shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Any grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of the Company, or any of their respective associates (as defined in the Listing Rules), will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1 % of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million,

such further grant of options by the Board must be approved by the shareholders of our Company. Any shareholder of our Company who is a connected person (as defined in the Listing Rules) of our Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person (as defined in the Listing Rules) may vote against such resolution subject to the requirements under Chapter 17 of the Listing Rules. Our Company shall send to our shareholders a circular containing the details and information required under Chapter 17 of the Listing Rule.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

The exercise price in respect of any option shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of offer;

(ii) the average closing price of the Shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading 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 for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme.

(i) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the offer date of the option (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer of the option. Notwithstanding the above, 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 an option-holder before the option can be exercised.

(j) Restriction on the time of grant of options

A grant of options may not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong 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 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. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Ranking of the Shares

Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) Rights are personal to the option-holders

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) Rights on a general offer

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror or any person associated with or acting in concert with the offeror ("**Change of Control**"), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent not already exercised) during the one months starting on the later of (i) the date of the Board's notification to the option-holders; and (ii) the date on which the person making the offer obtains control of the Company. All options not exercised before the end of such period will lapse.

(n) Rights on winding up

In the event a notice is given by our Company to its shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving the voluntarily winding up of our Company, our Company shall on the same date as or soon after it despatches such notice to its Shareholders give notice thereof to all option-holders and each option-holder (or his personal representative) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time no later than seven business days prior to the proposed general meeting of our Company. Our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the option-holder credited as fully paid.

(o) Rights On company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and each option-holder may at any time thereafter, but before such time as shall be notified by the Company, exercise all or any of his options (to the extent not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options not so exercised will lapse.

(p) Lapse of option

An option will lapse automatically and not be exercisable (to the expense not already exercised) on the earliest of: (a) the expiry of the option period; (b) the expiry of any of the period referred to in sub-paragraphs (m) to (n); and (c) subject to sub-paragraph (o), the date of the commencement of the winding-up of the Company.

(q) Effect of alteration to capital

In the event of any alteration to the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of share capital of our Company, such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled prior to such adjustments. No such adjustments shall be made the effect of which would enable any Share to be issued at less than its nominal value or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors selected by the Company (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Hong Kong Stock Exchange.

(r) Cancellation of options

Unless an option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either;

(i) the Company pays to the option-holder 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 option-holder replacement options (or options under any other share option scheme) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or

(iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(s) Termination of the Share Option Scheme

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme, upon which no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme; or (ii) be cancelled in accordance with sub-paragraph (r).

(t) Alteration of the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme at any time except the following, which shall be approved by our Shareholders in general meeting:

(i) any amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 17.03 of the Listing Rules;

(ii) any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted;

(iii) any amendments to the terms of options granted to an option-holder who is a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules) and the resolution to approve the amendment must be taken on a poll and any connected person (as defined in the Listing Rules) of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution; and

(iv) any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme.

(u) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;

(ii) the commencement of the dealings in the Shares on the Hong Kong Stock Exchange; and

(iii) our Shareholders approve the adoption of the Share Option Scheme.

If the permission referred to in sub-paragraph (i) is not granted within six months after the date the Share Option Scheme was conditionally adopted:

(aa) the Share Option Scheme shall forthwith determine;

(bb) 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;

(cc) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option; and

(dd) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our 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. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

2. Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current *ad valorem* rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

3. 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.

4. Joint Sponsors

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 Share Option Scheme).

5. Preliminary Expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US$4,000 and were paid by us.

6. 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.

7. 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), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities
J.P. Morgan Securities (Asia Pacific) Limited	Licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified Public Accountants, Hong Kong
Jingtian & Gongcheng	PRC legal advisor to the Company
Maples and Calder	Legal advisor to the Company as to Cayman Islands law
Savills Valuation and Professional Services Limited	Property valuer

8. Consent of Experts

Each of Morgan Stanley Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited, Ernst & Young, Jingtian & Gongcheng, Maples and Calder, and Savills Valuation and Professional Services Limited 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.

9. 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.

10. Particulars of the Selling Shareholder

Baoxin Investment, a company incorporated in the BVI on September 6, 2010 whose registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Sale Shares, being an aggregate of 50,580,000 Shares, are offered by Baoxin Investment for sale under the International Offering. Baoxin Investment may be required by the Global Coordinator to sell up to an aggregate of 28,449,000 Shares upon the exercise of the Over-allotment Option, as a result of which Baoxin Investment may sell up to an aggregate of 79,029,000 Shares pursuant to the Global Offering (assuming the Over-allotment Option is exercised in full).

11. Reserves Available for Distribution

As at June 30, 2011, our Company has reserves of nil available for distribution to our Shareholders.

12. 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 June 30, 2011 (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 Fund Services (Cayman) Limited and a Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. 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 Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.

(h) 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).

13. Exemption

As our Group is in compliance with paragraph 3(b) of Practice Note 16 of the Listing Rules and section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in the property valuation report in Appendix IV to this prospectus, of which a summary is included in the Summary of Valuation and the certificates for leased properties.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information—Further Information About Our Business—Summary of Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information—Other Information—Consents" in VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (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 and Articles of Association of our Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;

(c) the letters relating to the profit forecast, the texts of which are set out in Appendix III;

(d) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by Savills Valuation and Professional Services Limited, the texts of which are set out in Appendix IV;

(e) the full valuation report relating to our property interests prepared by Savills Valuation and Professional Services Limited in compliance with paragraph 34(2) of Part II of the Third Schedule of the Companies Ordinance;

(f) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisors, dated December 2, 2011 in respect of certain aspects of the Group and the property interests of the Group;

(g) the material contracts referred to in the section headed "Statutory and General Information—Further Information About Our Business—Summary of Material Contracts" in Appendix VI to this prospectus;

(h) the written consents referred to in the section headed "Statutory and General Information—Other Information—Consents" in Appendix VI to this prospectus;

(i) the Companies Law;

(j) the service agreements referred to in the section headed "Statutory and General Information—Further Information About our Directors and Substantial Shareholders—Particulars of Service Contracts";

(k) the Share Option Scheme; and

(l) statement of particulars of the Selling Shareholder.

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司*

