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Web Proof Information Pack of
China ZhengTong Auto Services Holdings Limited
中國正通汽車服務控股有限公司
(established under the laws of the Cayman Islands with limited liability)
(the “Company”)

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SUMMARY

OVERVIEW

We are the second largest BMW dealer and a major 4S dealership group in China focused on premium⁽¹⁾ brands such as BMW, MINI and Audi. According to ACMR, we ranked second in terms of the number of BMW 4S dealership stores in China with arrangements to operate 10 BMW dealership stores and ranked 21st in terms of turnover in 2009 in the highly fragmented PRC automobile dealership industry. Sales of BMW and MINI branded automobiles accounted for 50.9% of our sales of new automobiles for the six months ended 30 June 2010, while sales of Audi branded automobiles accounted for 8.4% for the same period. In addition to our premium brands dealership stores, we also operate dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet. Sales of Nissan, Buick, Hyundai, Honda and Chevrolet branded automobiles accounted for 15.7%, 9.6%, 3.6%, 3.2% and 3.0% of our sales of new automobiles for the six months ended 30 June 2010 respectively. Since 1999 when we established our first dealership store in Shanghai, we have successfully expanded our automobile dealership business to regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population. Our automobile dealership business covers 14 cities in both the large, established automobile markets of the affluent regions of China as well as the rapidly developing regions, such as Beijing, Shanghai, Guangzhou, Zhuhai, Dongguan, Shantou, Baotou, Nanchang, Chenzhou, Yichang, Hohhot, Changsha, Wuhan and Shiyuan.

Each of our dealership stores is a 4S dealership store that integrates four principal automobile-related businesses, i.e. sales, spare parts, service and survey, and offers a broad range of sales and services, including (i) sales of new automobiles, (ii) after-sales services, which include maintenance and repair services and sales of spare parts and accessories, and (iii) automobile agency services, which include automobile financing, insurance and registration agency services. Our ability to offer comprehensive automotive solutions to our customers and customer-focused business model foster long-term relationships with our customers and enable us to generate robust recurring turnover. Our dealership stores have received multiple recognitions and awards: our Yichang BMW dealership store was named one of the top 10 BMW dealership stores for dealer quality in China by BMW in 2009 and our Hubei Audi dealership store received the Silver Prize in Audi’s marketing competition in 2009. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from sales of new automobiles was RMB 2,650.6 million, RMB 2,661.8 million, RMB 4,270.5 million and RMB 2,684.6 million respectively, representing 91.1%, 87.4%, 85.8% and 85.8% of our total turnover in such periods. For such periods, the gross profits of our sales of new automobiles were RMB 90.9 million, RMB 103.6 million, RMB 198.1 million and RMB 148.0 million, accounting for 51.8%, 47.0%, 47.8% and 51.2% of our total gross profits. Turnover generated from after-sales services was RMB 205.8 million, RMB 267.8 million, RMB 380.4 and RMB 242.9 million respectively, representing 7.1%, 8.8%, 7.6% and 7.8% of our total turnover in such periods. For such periods, the gross profits of our after-sale services were RMB 72.8 million, RMB 99.7 million, RMB 149.3 million and RMB 101.2 million respectively, representing gross margins of 35.4%, 37.2%, 39.2% and 41.6% respectively, accounting for 41.4%, 45.3%, 36.0% and 35.0% of our gross profits in the respective periods.

(1) Segmentation determined by ACMR in consultation with the Company. See the section entitled “Industry Overview — PRC Automobile Market — Market Segmentation” in this document.

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To further strengthen our relationships with automobile manufacturers and complement our automobile dealership business, we established our logistics services business in 2002. Leveraging the existing network of our automobile dealership stores and logistics services business, we established our lubricant oil trading business in 2008 to capture the increasing market demand and enhance our after-sales services. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our logistics services business was RMB 52.8 million, RMB 83.7 million, RMB 128.4 million and RMB 73.8 million respectively, representing 1.8%, 2.7%, 2.6% and 2.4% of our total turnover in such periods, and turnover generated from our lubricant oil trading business was nil, RMB 32.3 million, RMB 201.8 million and RMB 126.6 million respectively, representing nil, 1.1%, 4.0% and 4.0% of our total turnover in such periods. With our track record, our experiences in the automobile dealership industry and the relationships we have fostered with automobile manufacturers, we believe that we are well positioned to secure additional dealership rights from automobile manufacturers. As of 30 June 2010, we operated 22 dealership stores and we have entered into letters of intent which will allow us to open one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, the operations of which are expected to commence by the end of 2010.

Our rapid expansion and highly efficient operations have enabled us to capture the opportunities in China’s fast-growing automobile market. Our turnover increased from RMB 2,909.2 million in 2007 to RMB 3,045.6 million in 2008 and to RMB 4,981.2 million in 2009, representing a CAGR of 30.9%, while our profit from operations for the same periods amounted to RMB 75.7 million, RMB 87.0 million and RMB 225.0 million respectively, representing a CAGR of 72.4%. Our turnover increased from RMB 2,045.0 million for the six months ended 30 June 2009 to RMB 3,127.9 million for the six months ended 30 June 2010, while our profit from operations increased from RMB 61.6 million to RMB 185.8 million for the same periods.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success during our Track Record Period and will continue to enable us to compete effectively and capitalize on future growth opportunities in the automobile industry:

- Major dealership group focused on China’s fast-growing premium passenger automobile segment;
- Strategic network of 4S dealership stores covering affluent regions as well as rapidly developing regions of China;
- Scalable and highly efficient operations through disciplined and information-based business practices;
- Well-established relationships with automobile manufacturers;

SUMMARY

- Customer-focused business model providing us with an increasing and recurring turnover from our customers; and
- Experienced management team supported by talented and well-trained employees.

OUR STRATEGIES

We aim to become the leading premium brands 4S dealership group in China to capture the opportunities in China’s large and fast growing premium brands automobile market by pursuing the following:

- Open additional dealership stores and add premium and ultra premium brands to our current dealership network;
- Further strengthen our relationships with automobile manufacturers;
- Diversify our turnover by developing a pre-owned automobile business, optimizing and expanding our after-sales services and enhancing our customer services;
- Further improve the operating efficiency of our dealership stores and reduce operating costs; and
- Continue to attract, train and retain talented employees to support our continued growth and expansion.

Our Automobile Dealership Business

We generate our turnover and gross profits primarily from our automobile dealership business.

SUMMARY

The following table sets forth a breakdown of our turnover for the periods indicated:

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover
	<i>(unaudited)</i>									
Dealership business										
Sales of new automobiles										
Premium and ultra premium brands ..	1,109,240	38.1	1,328,290	43.6	2,240,229	45.0	871,029	42.6	1,656,254	53.0
Middle market brands.....	1,541,386	53.0	1,333,539	43.8	2,030,224	40.8	852,100	41.6	1,028,362	32.8
Total sales of new automobiles	2,650,626	91.1	2,661,829	87.4	4,270,453	85.8	1,723,129	84.2	2,684,616	85.8
After-sales services.....	205,764	7.1	267,794	8.8	380,448	7.6	166,698	8.2	242,918	7.8
Total dealership business	2,856,390	98.2	2,929,623	96.2	4,650,901	93.4	1,889,827	92.4	2,927,534	93.6
Logistics services and lubricant oil trading										
	52,796	1.8	115,968	3.8	330,273	6.6	155,194	7.6	200,388	6.4
Total turnover	2,909,186	100.0	3,045,591	100.0	4,981,174	100.0	2,045,021	100.0	3,127,922	100.0

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

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)
	<i>(unaudited)</i>									
Dealership business										
Sales of new automobiles										
Premium and ultra premium brands ...	59,051	5.3	72,614	5.5	108,722	4.9	27,378	3.1	107,224	6.5
Middle market brands.....	31,818	2.1	30,947	2.3	89,375	4.4	28,019	3.3	40,808	4.0
Total sales of new automobiles	90,869	3.4	103,561	3.9	198,097	4.6	55,397	3.2	148,032	5.5
After-sales services.....	72,754	35.4	99,690	37.2	149,265	39.2	63,809	38.3	101,169	41.6
Total dealership business	163,623	5.7	203,251	6.9	347,362	7.5	119,206	6.3	249,201	8.5
Logistics services and lubricant oil trading										
	11,931	22.6	17,039	14.7	67,179	20.3	33,471	21.6	39,994	20.0
Total gross profit.....	175,554	6.0	220,290	7.2	414,541	8.3	152,677	7.5	289,195	9.2

SUMMARY

The following table sets forth the details of our 4S dealership stores:

Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
Ultra Premium	Porsche⁽²⁾				
	Dongguan Jieyunhang Automobile Sales Services Co., Ltd.	Dongguan	Guangdong	May 2010	N/A
Premium	BMW				
	Beijing Baozhang Automobile Sales Services Co., Ltd.	Beijing	Beijing	June 2010	31 December 2010 ⁽³⁾
	Baotou Baoze Automobile Sales Services Co., Ltd.	Baotou	Inner Mongolia	February 2010	31 December 2013
	Nanchang Baoze Automobile Sales Services Co., Ltd.	Nanchang	Jiangxi	October 2008	31 December 2012
	Chenzhou Ruibao Automobile Sales Services Co., Ltd.	Chenzhou	Hunan	July 2007	31 December 2012
	Yichang Baoze Automobile Sales Services Co., Ltd.	Yichang	Hubei	June 2007	31 December 2012
	Hohhot Qibao Automobile Sales Services Co., Ltd.	Hohhot	Inner Mongolia	January 2007	31 December 2010 ⁽³⁾
	BMW/MINI				
	Zhuhai Baoze Automobile Sales Services Co., Ltd.	Zhuhai	Guangdong	March 2009	31 December 2012
	Changsha Ruibao Automobile Sales Services Co., Ltd.	Changsha	Hunan	January 2006	31 December 2012
	Wuhan Baoze Automobile Sales Services Co., Ltd.	Wuhan	Hubei	March 2005	31 December 2010 ⁽³⁾
Guangzhou Baoze Automobile Sales Co., Ltd.	Guangzhou	Guangdong	Operation to be commenced	N/A ⁽⁴⁾	

Notes:

- (1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.
- (2) Dealership store operating under a memorandum of understanding which permits us to operate the dealership store pending negotiation and entry into the dealership authorization agreement. We expect to enter into a dealership authorization agreement in or before December 2010, after the completion of certain procedural and routine registrations with applicable local government authorities.
- (3) We are currently under the process of renewing the authorization agreement which is expected to be renewed before 31 December 2010.
- (4) We expect to enter into a dealership authorization agreement in or before December 2010, after the completion of certain procedural and routine registration with applicable local government authorities.

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Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
	Audi				
	Shantou Hongxiang Materials Co., Ltd.	Shantou	Guangdong	Acquired in June 2010 ⁽⁵⁾	3 August 2012
	Hubei Dingjie Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2003	1 January 2012
	Shanghai Aohui Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	Operation to be commenced	N/A ⁽⁴⁾
Middle-market	Dongfeng Nissan				
	Inner Mongolia Dingze Automobile Sales Services Co., Ltd.	Hohhot	Inner Mongolia	March 2010	1 March 2011
	Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	May 2007	1 March 2012
	Wuhan Kaitai Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2004	1 March 2012
	Inner Mongolia Dingjie Automobile Trading Co., Ltd.	Hohhot	Inner Mongolia	December 2003	1 March 2011
	Shanghai Shenxie Automobile Trading Co., Ltd.	Shanghai	Shanghai	June 2000	1 March 2012
	Dongfeng Honda				
	Shanghai Luda Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	January 2005	Indefinite
	Buick				
	Shiyan Shenxie Automobile Trading Co., Ltd.	Shiyan	Hubei	March 2005	4 January 2011
	Hubei Bocheng Automobile Sales Services Co., Ltd.	Wuhan	Hubei	January 2004	In the process of being renewed
	Chevrolet				
	Hubei Jierui Automobile Sales Services, Ltd.	Wuhan	Hubei	March 2006	15 February 2012

Notes:

- (1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.
- (4) We expect to enter into a dealership authorization agreement in or before December 2010, after the completion of certain procedural and routine registration with applicable local government authorities.
- (5) Maintaining regular operation since acquisition.

SUMMARY

The following table sets forth the details of our 4S dealership stores:

Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
	Beijing Hyundai				
	Hubei Xinrui Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2004	31 December 2012

The following table sets forth the turnover breakdown by various brands of automobiles sold by us during the Track Record Period.

	For the Year Ended 31 December						For the Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in millions)	% of total	RMB (in millions)	% of total	RMB (in millions)	% of total	RMB (in millions)	% of total	RMB (in millions)	% of total
Premium and ultra premium brands										
Porsche.....	—	—	—	—	—	—	—	—	63.1	2.4
BMW/MINI.....	904.1	34.1	1,134.0	42.6	1,869.0	43.8	718.1	41.7	1,367.1	50.9
Audi.....	205.1	7.7	194.3	7.3	371.2	8.7	152.9	8.8	226.1	8.4
Sub-total	1,109.2	41.8	1,328.3	49.9	2,240.2	52.5	871.0	50.5	1,656.3	61.7
Middle market brands										
Nissan.....	574.6	21.7	617.2	23.2	883.0	20.7	377.0	21.9	421.7	15.7
Buick.....	239.3	9.0	214.3	8.1	498.7	11.7	190.0	11.0	256.5	9.6
Hyundai.....	129.8	4.9	121.7	4.6	197.5	4.6	90.1	5.2	97.0	3.6
Chevrolet.....	94.9	3.6	93.9	3.5	141.8	3.3	56.7	3.3	79.4	3.0
Honda.....	159.7	6.0	154.3	5.8	159.6	3.7	75.9	4.4	85.3	3.2
Others ⁽²⁾	343.1	13.0	132.1	4.9	149.7	3.5	62.4	3.7	88.4	3.2
Sub-total	1,541.4	58.2	1,333.5	50.1	2,030.3	47.5	852.1	49.5	1,028.3	38.3
Total turnover from sales of new automobiles	2,650.6	100.0	2,661.8	100.0	4,270.5	100.0	1,723.1	100.0	2,684.6	100.0

Our after-sales services primarily consist of maintenance services, repairs under manufacturer’s warranty, other repair services and sales of spare parts and accessories. The primary customers for our after-sales services are customers who have previously purchased new automobiles from our dealership stores. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our after-sales services generated turnover of RMB 205.8 million, RMB 267.8 million, RMB 380.4 and RMB 242.9 million, representing 7.1%, 8.8%, 7.6% and 7.8% of our total turnover. For such periods, the gross profits of our after-sale services were RMB 72.8 million, RMB 99.7 million, RMB 149.3 million and RMB 101.2 million, representing gross margins of 35.4%, 37.2%, 39.2% and 41.6%, and accounting for 41.4%, 45.3%, 36.0% and 35.0% of our gross profits.

Notes:

- (1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.
- (2) Includes trucks and Peugeot branded automobiles, sales of which were discontinued in 2008; and KIA branded automobiles, the authorization agreement of which will not be renewed after the expiry of such agreement on 24 November 2010.

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We believe that we will continue to grow our after-sales services with the expansion of our customer base as a result of our increasing sales of new automobiles and expanding dealership network. In addition, owners of premium branded automobile are more likely to utilize 4S dealership stores for maintenance and repairs, compared to owners of middle market brands. According to a survey conducted by ACMR, over 77% of the owners of premium automobiles will utilize 4S dealership stores for maintenance and repairs, whether or not covered by the automobile manufacturer’s warranty, as compared to 60% of the owners of middle market brands automobiles.

Dealership-related Agreements

Each dealership store generally sells only one automobile brand and typically is only permitted to operate at a single point of sale. The operations of each of our dealership stores are governed principally by a dealership authorization agreement with the relevant automobile manufacturer.

Under our existing dealership authorization agreements governing our dealership stores, we may be:

- prohibited from retailing more than one brand of new automobile in a particular dealership store;
- required to provide designated services to customers, including sales of new automobiles, sales of spare parts and after-sales services;
- required to meet the design standards of our dealership stores required by the automobile manufacturer;
- required to follow annual sales plans that are set by the automobile manufacturer; however, our dealership agreements typically do not subject us to minimum purchases or sales requirements;
- entitled to use the trade names, trademarks and other brands of the automobile manufacturer in a manner consistent with the standards set by the automobile manufacturer to promote the automobiles we sell through our dealership stores; and
- prohibited from knowingly selling automobiles to any customer whose intention is to resell or export automobiles to outside the PRC.

Our dealership authorization agreements are non-exclusive and typically have a term of one to three years, subject to renewal. Under these agreements, automobile manufacturers may define and adjust the geographical coverage within which our dealership stores is operated, as well as recommend price guidelines for new automobiles; but these agreements generally do not subject us to minimum purchase requirements. Automobile manufacturers may also have rights to conduct site-visits of our dealership stores to evaluate the performance of our dealership stores and assess compliance with applicable agreements and provide a variety of suggestions to our dealership stores. By taking into account the results of their reviews, automobile manufacturers may also conduct random site-visits

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and consider whether to renew their agreements with us. Moreover, automobile manufacturers have the right to terminate their agreements with us with written notice for a variety of reasons, including failure to rectify deficiencies and unapproved changes in our ownership or management structure that affect our ability to meet our contractual obligations in these agreements.

The Contractual Arrangements

Our Group is principally engaged in automobile retail sales and distribution in the PRC (i.e. automobile dealerships). We are allowed under dealership authorization agreement to conduct the 4S businesses including sales, spare parts, service and survey in all dealership stores (i.e. collecting market information for the automobile manufacturers to adjust their market strategies).

Under the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment (“2007 Foreign Investment Catalogue”, 《外商投資產業指導目錄(2007年修訂)》), automobile dealerships fall under category VI(2) of restricted foreign investment industry and an automobile dealership group with more than 30 dealership stores selling different brands and models of automobiles supplied by multiple automobile manufacturers in the PRC is required to have a domestic (i.e. PRC) investment of no less than 51% (the “30 Dealerships Limitation”). As advised by our PRC Legal Advisors if Wuhan Jietong, being wholly owned by Rising Wave and thus a foreign company for the purposes of the 2007 Foreign Investment Catalogue, is to obtain control of our Group by acquiring a majority of the latter’s equity interest, our Group will become subject to the 30 Dealerships Limitation.

In light of the above, it is considered by our Group that the adoption of the Contractual Arrangements is necessary and will provide greater flexibility to our Group for our future growth and is in the interest of our Group as a whole. Although our Group does not have any direct equity holding in the PRC Operating Entities, we maintain effective control over the financial and operational policies of the PRC Operating Entities and are entitled to the economic benefits derived from the operations of the PRC Operating Entities through the Contractual Arrangements, details of which are set out in the section headed “Contractual Arrangements” of this document. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our PRC Operating Entities were RMB 2,856.4 million, RMB 2,929.6 million, RMB 4,650.9 million and RMB 2,927.5 million respectively, representing 98.2%, 96.2%, 93.4% and 93.6% of our total turnover for such periods.

As advised by our PRC Legal Advisors, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, enforceable under the current PRC laws (though specific performance or injunctive relief may not be available under the PRC laws), and that in the event of any breach or default by any of the PRC Operating Entities or their respective shareholders, Wuhan Jietong may take legal actions against any one of them. However, we understand that the Contractual Arrangements do not give us as much control and security as direct legal and beneficial ownership over the PRC Operating Entities would and there is no assurance that Wuhan Jietong would be able to reclaim all of the related interests in the event of any breach or default of the contractual terms by the PRC Operating Entities or their shareholders.

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Furthermore, there can be no assurance that the interpretation of the Contractual Arrangements by our PRC Legal Advisors is always in line with the interpretation of the PRC government authorities and that the Contractual Arrangements (or any part thereof) will not be considered in violation of the PRC laws by such PRC government authorities and courts. In addition, there can be no assurance that PRC government authorities will not in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws. Please refer to the paragraph headed “Contractual Arrangements” in this document for the details of the Contractual Arrangements and the paragraph headed “Risks Relating to Our Corporate Structure” in the section headed “Risk Factors” in this document for a discussion of the relevant risks in relation to the Contractual Arrangements.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following summary historical combined statements of comprehensive income data for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and the summary historical combined balance sheet data as of 31 December 2007, 2008 and 2009, and 30 June 2009 and 2010 set forth below have been derived from the Accountants’ Report issued by KPMG, Certified Public Accountants, Hong Kong, and included in Appendix I to this document. You should read the summary historical financial information below in conjunction with our combined financial statements included in Appendix I — “Accountants’ Report”, which have been prepared in accordance with HKFRS.

SUMMARY

Summary Historical Combined Statements of Comprehensive Income Data

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
	<i>(unaudited)</i>				
Combined statements of comprehensive income					
Turnover	2,909,186	3,045,591	4,981,174	2,045,021	3,127,922
Cost of sales	(2,733,632)	(2,825,301)	(4,566,633)	(1,892,344)	(2,838,727)
Gross profit	175,554	220,290	414,541	152,677	289,195
Other revenue.....	17,696	17,460	23,942	9,993	18,189
Other net income.....	3,522	4,466	7,182	2,660	4,996
Selling and distribution expenses.....	(69,850)	(84,540)	(138,337)	(60,329)	(69,177)
Administrative expenses	(51,242)	(70,702)	(82,334)	(43,415)	(57,434)
Profit from operations	75,680	86,974	224,994	61,586	185,769
Finance costs.....	(23,356)	(38,546)	(31,465)	(16,320)	(21,953)
Share of profit of an associate or a jointly controlled entity	—	—	4,570	408	3,657
Gain on of previously held equity interest in a jointly controlled entity.....	—	—	—	—	3,177
Gain on bargain purchase	—	—	—	—	27,266
Profit before taxation	52,324	48,428	198,099	45,674	197,916
Income tax	(20,654)	(12,950)	(48,277)	(11,072)	(39,537)
Profit for the year/period	31,670	35,478	149,822	34,602	158,379
Profit attributable to:					
Equity holder of the Company	31,670	33,805	145,854	32,048	153,101
Non-controlling interests	—	1,673	3,968	2,554	5,278
Other comprehensive income for the year/period net of tax					
	479	1,859	62	18	343
Total comprehensive income for the year/period	32,149	37,337	149,884	34,620	158,722
Earnings per share					
Basic and diluted (RMB cent)	2.1	2.3	9.7	2.1	10.2

SUMMARY

Summary Historical Combined Balance Sheet Data

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Non-current assets				
Fixed assets				
Investment properties.....	11,476	11,057	10,639	10,429
Other property, plant and equipment.....	301,813	297,644	340,643	404,052
Lease prepayments.....	131,850	128,810	150,265	162,412
Intangible assets.....	363	363	363	60,095
Goodwill.....	—	—	—	16,236
Interest in an associate.....	—	—	38,677	—
Interest in a jointly controlled entity.....	—	—	—	113,777
Deferred tax assets.....	3,186	5,710	2,225	1,641
Total non-current assets.....	448,688	443,584	542,812	768,642
Current assets				
Inventories.....	237,375	309,825	295,312	764,703
Trade and other receivables.....	247,950	398,806	598,874	539,621
Pledged bank deposits.....	188,379	234,827	894,853	1,024,241
Cash and cash equivalents.....	49,789	54,795	176,898	120,647
Total current assets.....	723,493	998,253	1,965,937	2,449,212
Current liabilities				
Trade and other payables.....	687,784	976,485	1,634,000	2,023,992
Loans and borrowings.....	397,977	337,594	348,517	465,273
Income tax payables.....	17,064	22,569	60,506	35,369
Total current liabilities.....	1,102,825	1,336,648	2,043,023	2,524,634
Net current liabilities.....	(379,332)	(338,395)	(77,086)	(75,422)
Total assets less current liabilities.....	69,356	105,189	465,726	693,220
Non-current liabilities				
Deferred tax liabilities.....	3,957	5,422	6,061	21,317
Total non-current liabilities.....	3,957	5,422	6,061	21,317
Net assets.....	65,399	99,767	459,665	671,903
Equity				
Share capital.....	128,600	126,800	223,500	202,500
Reserves.....	(63,201)	(36,206)	220,524	429,365
Equity attributable to equity holder of the Company.....	65,399	90,594	444,024	631,865
Non-controlling interests.....	—	9,173	15,641	40,038
Total equity.....	65,399	99,767	459,665	671,903

SUMMARY

DIVIDEND AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders’ approval. The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our shareholders’ interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us.

LIQUIDITY AND CAPITAL RESOURCES

We intend to continue to rely on existing financial resources, including banking facilities and other internal resources, the estimated net proceeds of the [●] and cash generated from operations to fund our future business development. See the section headed “Future Plans and Use of Proceeds” in this document. We may also increase our financial resources in line with our future development or for other purposes, when appropriate. Our ability to obtain adequate financing to satisfy the requirements of our business development or debt service may be limited by our financial condition and the results of business operations, as well as the liquidity of international and domestic financial markets. Any failure to achieve timely extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with trade and bills payables, debt service

SUMMARY

and/or other liabilities when they become due and payable. See section headed “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to obtain adequate financing on acceptable terms” in this document and section headed “Risk Factors — Risks Relating to Our Business and Industry — We recorded net current liabilities as of 31 December 2007, 2008 and 2009 and 30 June 2010 and net cash used in operating activities for the year ended 31 December 2008 and the six months ended 30 June 2010 and we cannot assure you that we will not experience the same again in the future” in this document.

As of 30 September 2010, we had net current assets of RMB 209.4 million. During the Track Record Period, we had net current liabilities of RMB 379.3 million, RMB 338.4 million, RMB 77.1 million and RMB 75.4 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. A portion of these net current liabilities were to related parties to finance our working capital requirements and support our network expansion. Our loans due to the Controlling Shareholder of RMB 83.2 million as of 30 September 2010 were settled in full by capitalization into the Group’s combined equity. Moreover, to settle a portion of the payables due to related parties, we transferred certain properties and land use rights in September 2010 to the Controlling Shareholder for a consideration of RMB 161 million, which was equivalent to their aggregate carrying amount.

As of 30 September 2010, we subsequently settled RMB 470.6 million of the balance of RMB 539.6 million of trade and other receivables as of 30 June 2010.

As of 30 September 2010, we subsequently utilized RMB 630.5 million of the balance of RMB 764.7 million of inventories as of 30 June 2010.

As of 30 September 2010, we had unutilized credit facilities of RMB 77.0 million, RMB 258.9 million and RMB 376.0 million, which are expected to expire as of 30 June 2011, 4 May 2011 and 31 July 2011 respectively. In addition, as at 30 September 2010, we have credit facilities in the total amount RMB 1,900.0 million that are conditioned upon the completion of [●].

RISK FACTORS

There are certain risks relating to an investment in our Shares. These can be categorized into (i) risks relating to our business and our industry; (ii) risks relating to our corporate structure; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to [●]. A detailed discussion of the risk factors is set forth in the section entitled “Risk Factors” in this document.

Risks Relating to Our Business and Industry

- We depend on automobile manufacturers as suppliers of our new automobiles and spare parts, for the rights to operate our dealership stores and as customers of our other businesses;
- Sales of new automobiles of a few brands generate a significant portion of our turnover;

SUMMARY

- Our business operations are subject to restrictions imposed by, and significant influence from, automobile manufacturers under our dealership authorization agreements;
- Any reduction by automobile manufacturers of their advertising, marketing and promotional activities could adversely affect our sales of new automobiles;
- Our customer services and after-sales services are dependent on automobile manufacturers, as well as our sales personnel and automotive engineers and technicians;
- There can be no assurance that we will continue to receive incentive rebates from automobile manufacturers;
- Our sales of automobiles may be affected by seasonality;
- Our ability to meet customer demands for new automobiles, spare parts, automobile accessories and lubricant oil is dependent in part on our ability to maintain a reasonable level of inventory of the appropriate model, type or quality of these products;
- We may not sustain our growth rate, and we may not be able to manage any future growth effectively;
- We are dependent on third parties for supplies of automobile accessories;
- We rely on our senior management team;
- We may not be able to obtain adequate financing on acceptable terms;
- We may sell additional equity or debt securities or obtain credit facilities in the future;
- A prolonged economic downturn could adversely affect our business, liquidity, financial conditions, results of operations and prospects;
- Any failure by us or automobile manufacturers or other suppliers to comply with applicable laws, rules and regulations may adversely affect our business;
- Our business is highly dependent on dynamic information technology systems;
- Product defects and automobile recalls could have a material and adverse effect on our dealership business;
- Our insurance coverage may be inadequate to protect us from all potential losses;
- A significant labor dispute involving automobile manufacturers could reduce our turnover and harm our profitability;

SUMMARY

- Any decrease in demand for outsourced services by our customers or decrease in prices we are able to charge could reduce our profits and harm our logistics services business;
- Our logistics services business is dependent on third parties for transportation services;
- We do not have valid titles or rights to use certain properties and the required permits for construction and development on certain properties occupied by us;
- Our non-compliance with social insurance and housing provident fund contribution requirements under national and local laws and regulations may subject us to fines and other penalties;
- We cannot assure you that we will continue to receive the preferential tax treatment currently enjoyed by our Group;
- 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 China. Such classification could result in unfavorable tax consequences to us and our non-PRC shareholders;
- Implementing our growth strategy may expose us to certain risks;
- We recorded net current liabilities as of 31 December 2007, 2008 and 2009 and 30 June 2010 and net cash used in operating activities for the year ended 31 December 2008 and the six months ended 30 June 2010 and we cannot assure you that we will not experience the same again in the future;
- Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile dealership and logistics services industries; and
- Strict or stricter fuel economy standards and emission standards, high fuel prices and taxes on automobile consumption may restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC.

Risks Relating to Our Corporate Structure

- If the PRC government determines that the agreements that establish the structure for operating our business otherwise do not comply with applicable PRC laws, rules and regulations, we could be subject to severe penalties;
- We rely on contractual arrangements with the PRC Operating Entities in China and their shareholders for our business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interests;

SUMMARY

- The Contractual Arrangements may subject us to additional taxes and to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemptions, or both, which could substantially increase our taxes owed and thereby reduce our net income
- We rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

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;
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this [●] 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;
- We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations;
- The state of the PRC’s political relationships with other nations may affect the performance of our business;
- The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China;
- Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment;
- Government control over currency conversion may affect the value of Shares and limit our ability to utilize our cash effectively;

SUMMARY

- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees’ share options and restricted share units in our Group may subject such employees or us to fines and legal or administrative sanction; and
- It may be difficult to effect service of process upon, or to enforce against, us or our Directors or members of our senior management who reside in the PRC, in connection with judgments obtained in non-PRC courts.

DEFINITIONS

“ACMR”	All China Marketing Research Co. Ltd.
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 17 November 2010 and as amended from time to time, a summary of which is set out in Appendix VI to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“automobile manufacturer”	a manufacturer of automobiles, its affiliates and agents
“Baotou Baoze”	包頭市寶澤汽車銷售服務有限公司 (Baotou Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Basetex”	Basetex Group Limited, a company incorporated in BVI and which lent a sum of HK\$50 million to Joy Capital, which sum was injected into the Group for acquisition of Tongda Group (China), and whose ultimate beneficial owner is Mr. Hong Xing who is an Independent Third Party. Basetex Group Limited also entered into an agreement for acquiring 25% equity interest in Dongguan Jieyunhang currently held by Mr. Lin Cheng, which acquisition was not yet completed as at the Latest Practicable Date
“Basetex Investment Agreement”	the agreement dated 12 August 2010 and made between (i) Joy Capital as vendor, (ii) Mr. Wang Muqing as covenantor in respect of certain obligations of Joy Capital, (iii) Basetex as purchaser, and (iv) Mr. Hong Xing as covenantor in respect of certain obligations of Basetex, pursuant to which certain shares in Big Glory were agreed to be sold by Joy Capital to Basetex. The agreement was completed on 30 August 2010
“Beijing Baozhang”	北京寶澤行汽車銷售服務有限公司 (Beijing Baozhang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Big Glory”	Big Glory International Limited, a company incorporated in BVI and a direct wholly owned subsidiary of our Company in the Equity-held Group
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands

DEFINITIONS

“Capitalization Issue”	the issue of [●] Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Resolutions of our Shareholders” under the section headed “Further Information about our Group” in Appendix VIII to this document
“Changsha Ruibao”	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Chenzhou Ruibao”	郴州瑞寶汽車銷售服務有限公司 (Chenzhou Ruibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this document, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” and “our Company”	China ZhengTong Auto Services Holdings Limited, a company incorporated on 9 July 2010 as an exempted company with limited liability under the laws of the Cayman Islands
“Connected Person”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	Grand Glory Enterprises Limited, Joy Capital and Mr. Wang Muqing
“CSRC”	中國證券監督管理委員會(China Securities Regulatory Commission)
“Director(s)”	the director(s) of our Company
“Dongguan Jieyunhang”	東莞捷運行汽車銷售服務有限公司 (Dongguan Jieyunhang Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities

DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law promulgated on 16 March 2007 that became effective on 1 January 2008
“Equity-held Group”	the group of companies in which our Company has control through our direct or indirect holding of their equity and the related voting rights, which currently includes Big Glory, Rising Wave, Tongda Group (China), Wuhan Jietong and Shanghai Yige
“Grand Glory”	Grand Glory Enterprises Limited, a company incorporated in Bahamas, whose issued share capital is the trust asset of The Grand Glory Trust and which is managed by J.P. Morgan Trust Company (Bahamas) Limited
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Guangzhou Baoze”	廣州寶澤汽車銷售服務有限公司 (Guangzhou Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Guangzhou Dongtie Logistics”	廣州東鐵汽車物流有限公司 (Guangzhou Dongtie Automobile Logistics Co., Ltd.*), a company incorporated in the PRC and a direct 51% equity-owned company of Guangzhou Fengshen (a jointly controlled entity of our Company)
“Guangzhou Fengshen”	廣州風神物流有限公司 (Guangzhou Fengshen Logistics Co., Ltd.*), a company incorporated in the PRC, in which our Company has in aggregate 50% equity interest, while 深圳東風南方實業集團有限公司 (Shenzhen Dongfeng Nanfang Industrial Group Company Limited*), an Independent Third Party, owns the remaining 50% equity interest
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Hubei Bocheng”	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Hubei Dingjie”	湖北鼎杰汽車銷售服務有限公司 (Hubei Dingjie Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Hubei Jierui”	湖北捷瑞汽車銷售服務有限公司 (Hubei Jierui Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Hubei Shengze”	湖北聖澤實業有限公司 (Hubei Shengze Industry Co., Ltd.*), a limited liability company established in the PRC (and owned as to about 70.4% by Mr. Wang Muqing (and registered in the name of two other members of the Wang Family) and as to about 29.6% by an Independent Third Party), which directly or indirectly holds the entirety or a majority of the equity interests in the PRC Operating Entities
“Hubei Xinrui”	湖北欣瑞汽車銷售服務有限公司 (Hubei Xinrui Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Huhhot Qibao”	呼和浩特市祺寶汽車銷售服務有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Independent Third Party”	persons who are not Connected Persons
“Inner Mongolia Dingjie”	內蒙古鼎杰汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Inner Mongolia Dingze”	內蒙古鼎澤汽車銷售服務有限公司 (Inner Mongolia Dingze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Joy Capital”	Joy Capital Holdings Limited, a company incorporated in BVI, which is owned by Grand Glory, and which is the direct controlling shareholder of our Company
“Latest Practicable Date”	[22] November 2010, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

DEFINITIONS

“M&A Rules”	Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by (among other PRC regulatory authorities) MOFCOM and CSRC, on 8 August 2006 which became effective on 8 September 2006
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company, adopted on 9 July 2010 and as amended from time to time
“Ministry of Commerce” or “MOFCOM”	中國商務部 (PRC Ministry of Commerce)
“Nanchang Baoze”	南昌寶澤汽車銷售服務有限公司 (Nanchang Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“NRDC”	the National Development and Reform Commission
“Operating Group”	the group of companies which comprise the PRC Operating Entities the financial results of which have been combined and accounted for as the subsidiaries of our Company by virtue of the Contractual Arrangements
“Operation and Management Committee”	a committee of the Group established in 2001 to separate ownership and management of the Group, which has since been the management authority of our Group
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisors”	Jingtian & Gongcheng
“PRC Operating Entities”	the companies which are members of the Operating Group, as mentioned in the section headed “Our History and Reorganisation — Brief details of our Group companies”, under the serial number 5 to 28 (both inclusive)
“PRC OpEnt Minority Interests”	equity interests in Shantou Hongxiang, Dongguan Jieyunhang and Baotou Baoze respectively, held by holders of minority equity interests (i.e. those which are not attributable to the controlling interests in the relevant companies) who are Independent Third Parties, except for their being substantial shareholders and/or directors of the relevant PRC Operating Entities
“Pre-[●] Share Option Scheme”	the pre-[●] share option scheme formally adopted by the Company on 17 November 2010, a summary of the principal terms of which is set out under the paragraph headed “Pre-[●] Share Option Scheme” in Appendix VII to this document

DEFINITIONS

“Pre-[●] Share Option(s)”	option(s) granted under the Pre-[●] Share Option Scheme
“pre-owned automobile”	a used automobile that has one or more prior owners
“Reorganisation”	the corporate reorganisation of our Group, details of which are set forth under “Reorganisation” in the section headed “Further Information about the Company” in Appendix VII to this document
“Rising Wave”	Rising Wave Development Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of our Company in the Equity-held Group
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 17 November 2010, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix VIII to this document
“Shareholder(s)”	holder(s) of Share(s)
“Shanghai Aorui”	上海奧匯汽車銷售服務有限公司 (Shanghai Aohui Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Shanghai Luda”	上海陸達汽車銷售服務有限公司 (Shanghai Luda Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Shanghai Shenxie”	上海紳協汽車貿易有限公司 (Shanghai Shenxie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities

DEFINITIONS

“Shanghai Yige”	上海繹格科工貿有限公司 (Shanghai Yige Science & Technology Trading Co., Ltd.*), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of our Company in the Equity-held Group
“Shantou Hongxiang”	汕頭市宏祥物資有限公司 (Shantou Hongxiang Materials Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Shenxie Shentong”	上海紳協紳通汽車銷售服務有限公司 (Shanghai Shenxie Shentong Automobile Sale Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Shiyan Shenxie”	十堰紳協汽車貿易有限公司 (Shiyan Shenxie Automobile Trading Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the financial period comprising the three years ended 31 December 2009 and the six months ended 30 June 2010
“United States” or “U.S.”	the United States of America
“Xiangfan Fengshen”	襄樊風神物流有限公司 (Xiangfan Fengshen Logistics Co., Ltd.*), a company incorporated in the PRC and a direct wholly owned subsidiary of Guangzhou Fengshen (a jointly controlled entity of our Company)
“Wang Family”	Mr. Wang Muqing and his family members
“Wuhan Baoze”	武漢寶澤汽車銷售服務有限公司 (Wuhan Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Wuhan Jietong” or “WFOE”	武漢聖澤捷通物流有限公司 (Wuhan Shengze Jietong Logistics Co., Ltd.*), a wholly foreign owned enterprise established in the PRC and a direct wholly owned subsidiary of Rising Wave
“Wuhan Kaitai”	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“Yichang Baoze”	宜昌寶澤汽車銷售服務有限公司 (Yichang Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities

DEFINITIONS

“Zhengzhou Fengshen”	鄭州風神物流有限公司 (Zhengzhou Fengshen Logistics Co., Ltd.*), a company incorporated in the PRC and a directly owned subsidiary of Guangzhou Fengshen with 65% equity holdings (a jointly controlled entity of our Company)
“Zhuhai Baoze”	珠海寶澤汽車銷售服務有限公司 (Zhuhai Baoze Automobile Sales Services Co., Ltd.*), a company incorporated in the PRC and one of the PRC Operating Entities
“30 Dealerships Limitation”	the restriction that an automobile dealership group with more than 30 dealership stores selling different brands and models of automobiles supplied by multiple automobile manufacturers in the PRC is required to have a domestic (i.e. PRC) investment of no less than 51%
“4S”	sales, spare parts, service and survey
“%”	per cent

The English name of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Our Business” and “Financial Information” in this Document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our future business development;
- the expected growth and market opportunities as to the automobile industry in China in general and the cities in which we operate;
- our ability to meet the changing needs of our customers and clients;
- our ability to enter into new geographic markets and expand our operations;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- changes in competitive conditions and our ability to compete under these conditions;
- our financial conditions and performance;
- our future debt levels and capital needs;
- our dividend distribution plans;
- changes in the political, economic, legal and social conditions in the PRC;
- fluctuations in general economic and business conditions in China; and
- changes in currency exchange rates.

FORWARD-LOOKING STATEMENTS

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business;
- general economic, market and business conditions in China;
- macroeconomic policies of the PRC government;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the effects of competition in the automobile industry;
- various business opportunities that we may pursue; and
- the risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, 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 document 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 contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in section headed “Risk Factors” in this document.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We depend on automobile manufacturers as suppliers of our new automobiles and spare parts, for the rights to operate our dealership stores and as customers of our other businesses

We rely on automobile manufacturers for the rights to operate our dealership stores and for the supply of new automobiles and spare parts. Sales of new automobiles account for a substantial portion of our turnover. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover from our dealership business accounted for 98.2%, 96.2%, 93.4% and 93.6% of our turnover respectively. In addition, during the Track Record Period, several automobile manufacturers for whom we provide automobile logistics services in China and the primary customer of our lubricant oil trading business were also suppliers of new automobiles and spare parts to our automobile dealership business.

Sales of new automobiles of a particular automobile manufacturer are influenced by the automobile manufacturer’s ability to anticipate changes in consumer tastes, preferences and requirements, including those driven by cultural or environmental changes, and the automobile manufacturer’s capability of manufacturing and delivering to us in sufficient quantities and on a timely basis, a desirable mix of new automobiles and spare parts at competitive prices to sell to our customers. Overall market demand for new automobiles or spare parts may be affected by a variety of other factors, including economic conditions, personal disposal income and interest rate levels. These factors may also affect the annual output of automobile manufacturers and the supply of automobiles to their dealership stores. If automobile manufacturers’ financial positions or their abilities to design, market or manufacture new automobiles or spare parts are materially and adversely impacted, or if automobile manufacturers decide unilaterally to reduce their supply of automobiles to us, our business operation could be disrupted and our results of operations, financial condition and growth prospects may be materially and adversely affected.

Our rights to operate our dealership stores and the supply of new automobiles and spare parts are governed by our agreements with automobile manufacturers, including our dealership authorization agreements. Our dealership authorization agreements are non-exclusive, and typically have a term of one to three years. Automobile manufacturers have the right to terminate our dealership authorization agreements with written notice for a variety of reasons, including failure to rectify deficiencies and unapproved changes in our ownership or management structure that affect our ability to meet our contractual obligations under these agreements. Automobile manufacturers may not renew their agreements with us for various reasons, including changes in their business strategies. There can be no assurance that we will be able to renew our dealership authorization agreements or other agreements with automobile manufacturers on a timely basis, on commercially acceptable terms, or at all. There can be no assurance that automobile manufacturers will not make any decision to restrict, limit or reduce the number of dealership stores available to us as part of any change in their future strategies. If the automobile manufacturers with whom we have dealership authorization agreements decide to restrict, limit or reduce the number of dealership stores they allow us to operate, or fail to renew or terminate their agreements with us, or otherwise reduce or eliminate their business dealings with us, our results of operations, financial condition and growth prospects may be materially and adversely affected.

RISK FACTORS

Sales of new automobiles of a few brands generate a significant portion of our turnover

Sales of new automobiles from three automobile brands sold by us, namely BMW, MINI and Nissan, together accounted for 50.8%, 57.5%, 55.2% and 57.2% of our turnover for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. While our relationship with BMW AG, which manufactures BMW and MINI branded automobiles, spans more than five years, beginning in 2004 with the establishment of our first BMW dealership store, and our relationship with Dongfeng Nissan and its predecessor spans more than a decade, beginning in 1999 with the establishment of our first dealership store, there can be no assurance that we will be able to maintain these relationships in the future. In addition, while we intend to establish dealership stores for brands of other automobile manufacturers, we expect these automobile brands to continue to account for a significant portion of our turnover in the near future. Should the automobile manufacturers of these brands terminate or decide not to renew their arrangements with us on favorable terms or at all, our results of operations, financial condition and growth prospects may be materially and adversely affected.

Our business operations are subject to restrictions imposed by, and significant influence from, automobile manufacturers under our dealership authorization agreements

Automobile manufacturers may, under their existing agreements with us, subject the operations of our dealership stores to various restrictions including, among others:

- setting geographical limitations on our dealership business;
- precluding us from obtaining additional dealership rights for failing to meet the relevant automobile manufacturer’s performance criteria, including those relating to sales results, customer satisfaction ratings and store presentation;
- influencing the fixtures of our dealership stores;
- restricting our ability to provide loan guarantees or other forms of collateral, thus adversely impacting our ability to obtain financing for our business; and
- influencing the management of our dealership stores.

The restrictions imposed by, and significant influence of, automobile manufacturers on our business could materially and adversely affect our results of operations, financial condition and growth prospects.

RISK FACTORS

Any reduction by automobile manufacturers of their advertising, marketing and promotional activities could adversely affect our sales of new automobiles

Sales of automobiles at our dealership stores are influenced by the promotional and marketing efforts of automobile manufacturers designed to foster consumer demand for their automobiles. Our marketing and advertising expenses were RMB 15.2 million, RMB 19.7 million, RMB 46.5 million and RMB 14.8 million respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. Apart from jointly organizing sales and marketing events with us, automobile manufacturers periodically offer discounts, complimentary products or services, or extended product warranties through us to customers as part of their marketing and promotional activities. They may also assist us with our advertising, marketing and promotional activities and the production of flyers, brochures and other promotional and point-of-sale materials for our dealership stores. Moreover, while our sales and marketing campaigns are typically tailored to target the regions served by our dealership stores and sell the models of automobiles in accordance with our inventory management initiatives, the success of our sales and marketing campaigns is also influenced by the national-level promotional campaigns of automobile manufacturers. As a result, changes in any of these promotional and marketing activities by automobile manufacturers may adversely affect the sales of automobiles at our dealership stores and adversely affect the results of our operations, financial position and growth prospects.

Our customer services and after-sales services are dependent on automobile manufacturers, as well as our sales personnel and automotive engineers and technicians

Our after-sales services primarily consist of maintenance services, repairs under automobile manufacturers’ warranties, other repair services and sales of spare parts and accessories. Repair services under automobile manufacturers’ warranties are charged to the automobile manufacturer instead of the customer. As a result, a reduction in the term or coverage of such warranties could reduce the utilization of our after-sales services by our customers to the extent that our customers do not pay for such maintenance or repairs themselves.

We also depend on automobile manufacturers to provide our dealership managers, customer services and sales personnel and automotive engineers and technicians with training to familiarize them with the features and proper maintenance of and repair procedures for their automobiles. In addition, our ability to maintain high quality customer services and after-sales services is also dependent on the continued service of, and our ability to attract, train, motivate and retain our dealership managers, customer services and sales personnel and automotive engineers and technicians for the performance and continued success of our business. Due to the strong growth of the PRC economy and the PRC automobile industry, the 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 open new dealership stores. Our financial condition, management and results of operations may be materially and adversely affected if we fail to attract and retain the experienced personnel we need.

RISK FACTORS

There can be no assurance that we will continue to receive incentive rebates from automobile manufacturers

Our purchase arrangements with automobile manufacturers often include purchase volume or sales-based incentive rebates, which are decided with reference to the quantities of new automobiles we purchase or sell, and adjusted based on our completion of certain targets set by the relevant automobile manufacturers, including customer satisfaction indexes, and dealership retail standards. For the years ended 31 December 2007, 2008 and 2009, we recorded rebates of approximately RMB 107.6 million, RMB 145.6 million and RMB 242.6 million respectively. For the six months ended 30 June 2010, we recorded rebates of approximately RMB 119.5 million. There can be no assurance that automobile manufacturers will continue to offer incentive rebates to us. Should some or all automobile manufacturers cease to offer such rebates, or alter the conditions by which such rebates are granted, our financial condition and results of operations may be materially and adversely affected.

Our sales of automobiles may be affected by seasonality

All of our turnover is derived from our operations in the PRC and we may experience a seasonal pattern in the spending behavior of purchasers of automobiles in the PRC. Periods prior to major holidays in the PRC, such as the Chinese New Year, the International Labor Day holiday in May, the National Day holiday in October and the Christmas and New Year holiday season in December have historically been peak seasons for purchases of new automobiles. As a result, we may experience fluctuations in our turnover from sales of new automobiles. Due to these fluctuations, comparisons of sales and operating results between different periods within a single financial year may not be accurate indicators of our performance.

Our ability to meet customer demands for new automobiles, spare parts, automobile accessories and lubricant oil is dependent in part on our ability to maintain a reasonable level of inventory of the appropriate model, type or quality of these products

We aim to stock a reasonable level of inventory of new automobiles, spare parts and automobile accessories to timely respond to customer demand and maintain a diverse range of products at our dealership stores, and a prudent level of inventory of lubricant oil to effectively respond to customer demand in our lubricant oil trading business. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our average inventory turnover days were 32 days, 35 days, 24 days and 34 days, respectively. We aim to actively control our inventory efficiency, as slow-moving inventories may be more difficult to sell, be returned to suppliers and/or result in higher levels of write-offs, thereby increasing our overall cost of sales and reducing our profit margins. If we overstock inventory, our required working capital will increase and we will incur additional financing costs. If we understock inventory, our ability to meet our customers' demands may be affected, which may cause us to forgo turnover, thus adversely affecting our reputation, results of operations and financial condition.

RISK FACTORS

During the Track Record Period, there were several instances where we did not maintain sufficient inventory of the appropriate model of automobiles to meet the demands of our customers, which resulted in the cancellation of orders. There can be no assurance that we will not experience understocking in the future or that any such instances would not adversely affect our reputation, results of operations and financial condition.

We may not sustain our growth rate, and we may not be able to manage any future growth effectively

We have experienced significant growth in a short period of time. Our turnover increased from RMB 2,909.2 million in 2007 to RMB 3,045.6 million in 2008 and RMB 4,981.2 million in 2009, representing a CAGR of 30.9%. We cannot assure you that we will achieve similar growth rates in future periods. You should not rely on our operating results for any prior annual periods as an indication of our future operating performance. If we are unable to maintain adequate turnover growth, our financial results could be materially and adversely affected. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressure.

We are dependent on third parties for supplies of automobile accessories

We are dependent on independent third-party suppliers for the automobile accessories we sell. The success of our after-sales business is dependent on these suppliers’ abilities to anticipate changes in consumer tastes, preferences and requirements and deliver to us in sufficient quantities and on a timely basis a desirable, high-quality and price competitive mix of automobile accessories to sell to our customers. If our suppliers’ products fail to meet our customers’ expectations or if we are unable to stock a sufficient selection of products, or if our suppliers increase their prices due to increasing demand for their products from other dealership stores, our profit margins of these products may be affected, which in turn could adversely affect our results of operations and financial condition.

We rely on our senior management team

Our success is, to a significant extent, attributable to the expertise and experience of our senior management team. In particular, our chief executive officer Mr. Wang Kunpeng, our senior vice president Mr. Cao Limin and our chief investment officer Mr. Liu Dongli all have over 10 years of experience in the automobile industry in China and have been important to our success. Should members of our senior management team leave our Group and we are unable to find any suitable replacement, our business may be adversely affected.

While we believe our remuneration packages and incentive schemes are sufficient to retain members of our senior management team, there is no assurance that our Group will be able to retain or hire qualified management at all times in the future. If we encounter any difficulty in recruiting or retaining competent personnel to manage our business operations, our business may be adversely affected.

RISK FACTORS

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

Our business requires significant expenditures to purchase automobiles, spare parts, automobile accessories and other automobile-related products. In addition, we require capital to expand our business organically through the establishment of new dealership stores or through acquisitions of existing dealership stores, dealership groups or other businesses. Our business also requires adequate financing for our increasing level of inventory and prepayments for new automobiles that we purchase from automobile manufacturers. We expect our funding needs to increase as our inventory level and prepayments for new automobiles increase due to the continuing expansion of our businesses.

We have generally relied on cash generated from our operations as well as bank loans and other external financing to fund our operations and expansion. 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 acceptable terms, on a timely basis or at all. 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, the PRC automobile industry and the geographical regions we operate in. If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, the implementation of our expansion plans may be delayed and our competitive position and growth prospects may be adversely affected.

We may sell additional equity or debt securities or obtain credit facilities in the future

If our future acquisitions, expansions, or market changes or other developments cause us to require additional funds, we may issue additional equity or securities convertible into our ordinary shares, issue debt securities or obtain credit facilities in the future to meet our requirements for capital. The sale of additional equity securities or securities convertible to 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.

A prolonged economic downturn could adversely affect our business, liquidity, financial conditions, results of operations and prospects

The global financial crisis and economic downturn that unfolded in 2008 and continued in 2009 and 2010 have adversely affected economies and businesses around the world, including those in China. In an economic downturn characterized by higher unemployment, lower corporate earnings, lower business investment and lower consumer spending, the demand for automobiles may be materially and adversely affected. The recent global economic crisis has caused a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, an unprecedented level of intervention from the governments, decreased consumer confidence, overall slower economic activity and extreme volatility in credit, equity and fixed income markets. A decrease in economic activity in China could adversely affect demand for our automobiles, thus reducing our turnover and profits. In addition, an increase in price levels generally could result in a shift in consumer demand away from automobiles, which could also adversely affect our turnover and, at the

RISK FACTORS

same time, increase our costs. Moreover, financial institution failures may cause us to incur increased expenses or make it more difficult either to utilize our existing debt capacity or otherwise obtain financing for our operations or investing activities, including the financing of any future acquisitions. While there are some indications of a recovery in affected economies, the ultimate outcome of these events cannot be predicted. We cannot predict the timing or the duration of this or any other downturn in the economy and we are not immune to the effects of general worldwide economic conditions.

Any failure by us or automobile manufacturers or other suppliers to comply with applicable laws, rules and regulations may adversely affect our business

We operate in highly regulated industries. We are required to maintain various approvals, licenses and permits for our operations that are specific to the automobile dealership and logistics services businesses, including:

- maintenance and repair license;
- automobile insurance agent license;
- road transport license; and
- the Notice Relating to Announcement of Name List of Branded Automobile Sales Enterprises issued by SAIC.

Please see the section entitled “Regulatory Overview” in this document for further details.

As at the Latest Practicable Date, all our PRC Operating Entities hold valid licenses to conduct their business or are in the process of applying for or renewing the relevant licenses.

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 to obtain or maintain the approvals, licenses or permits required for our business operations. Any loss of or failure to obtain or renew our approvals, licenses, or permits could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our results of operations, financial position and reputation.

Pursuant to existing applicable PRC laws, rules and regulations, a foreign-invested enterprise engaging in logistics services must obtain a project initiation approval (the “Project Initiation Approval”) from the Ministry of Transport. A foreign-invested operator of logistics services business must obtain its Certificate of Approval for Foreign-invested Enterprises from the local provincial counterpart of MOFCOM, and must submit the Project Initiation Approval and the Certificate of Approval for Foreign-invested Enterprises and apply to the local department of the Ministry of Transport for the Road Transport License for its logistics services business. Wuhan Jietong has obtained the Certificate of Approval for Foreign-invested Enterprises and the Road Transport License from the Commerce Bureau of Wuhan and the local department of the Ministry of Transport in Wuhan respectively. However neither of the two authorities required that a Project Initiation Approval be

RISK FACTORS

processed for its Certificate of Approval for Foreign-invested Enterprises or its Road Transport License. There can be no assurance that the transport authorities will not require a Project Initiation Approval to be obtained by Wuhan Jietong for its logistics services business or will not order it to suspend its logistics services business for lack of a Project Initiation Approval. Any loss of or failure to obtain such Project Initiation Approval or suspension of our logistics services business as a result thereof could adversely affect our results of operations, financial position and reputation.

In addition, we are dependent on automobile manufacturers and our other suppliers to adhere to all relevant laws and regulations. We are not aware of any incidences of non-compliance with laws, rules or regulations by automobile manufacturers or other suppliers with whom we are currently conducting business. However, we do not exercise any control over the operations of automobile manufacturers and other suppliers and we can provide no assurance of their compliance with all applicable laws, rules and regulations. Any violation of applicable laws, rules and regulations by automobile manufacturers and suppliers may have adverse consequences, including automobile and other product recall activities and negative publicity.

Our business is highly dependent on dynamic information technology systems

Our information technology system is an important competitive factor in our business. Our information technology system is comprised of systems for our customer relationship management, automobile sales and after-sales services management, human resources management, corporate treasury and business development formulation. We rely on our information technology system to collect and analyze indicators of key aspects of our business. For example, in our dealership business, our information technology system collects information about potential and existing customers, such as telephone calls, visits to our dealership stores or attendance at promotional events, as well as automobile purchases from our dealership stores and repair and maintenance records of those automobiles. Such information is used by our sales personnel and customer relationship managers to better understand the needs of our potential and existing customers and conduct targeted communications with them on an individual basis. In our logistics services business, we use our information technology system to manage inventory at our warehouses, monitor the status of automobiles, spare parts and automobile accessories transported by us, determine transportation routes to ensure efficient deployment of our trucks and manage data in connection with customs declarations and clearance.

We periodically upgrade our information technology system to take advantage of improvements in computer hardware and adapt the software underlying our information technology system to meet the changing requirements of our business. However, there can be no assurance that any such upgrades or adaptations will be carried out without disruption to our business, or that our information technology system will continue to meet the changing requirements of our business. Moreover, while we have established redundancy systems and procedures for our information technology system and have not experienced any failure that has materially affected our business, there can be no assurance that the failure of the hardware or software that supports our information system would not materially disrupt our business or adversely affect our customers and damage our reputation.

RISK FACTORS

We also rely on the information technology systems of automobile manufacturers to procure new automobiles. Any failure in these information technology systems or in our ability to access these systems could impair our procurement of new automobiles on a timely basis, which in turn could adversely affect our business and operations.

Product defects and automobile recalls could have a material and adverse effect on our dealership business

Automobile manufacturers may conduct recalls from time to time to remedy problems with one or more automobile models. Under PRC laws and regulations, we are generally not liable for any of the costs of the recall and are typically compensated by automobile manufacturers for our assistance in conducting the recall. However, our customers’ confidence in the quality and safety of the automobiles we sell may be impaired due to the recalls, and any product defects or automobile recalls may have an adverse effect on automobile manufacturers’ and our Group’s reputation. As a result, recalls may lead to cancellation of orders placed by our customers and drop in demand for automobiles that we sell, which in turn may reduce our sales and increase our inventory of automobile models or brands subject to the recall. In response, we may be required to incur costs associated with holding such inventory or reduce our selling prices, which could materially and adversely affect our results of operations and financial condition. Please refer to the section headed “Business — Our Automobile Dealership Business — Dealership Sales and Services — After-sales services — automobile recalls” in this document.

We cannot assure you that there will not be future automobile recalls affecting automobile manufacturers or the models we sell, nor that any such recalls would not cause a material adverse impact on our business and our operational and financial performance.

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

We carry insurance covering risks including loss and theft of and damage to property such as our fixed assets and inventories in all of our dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes. We also carry public liability insurance covering potential liabilities for damages customer may suffer in our 4S dealership stores. 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. 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. In addition, we operate our own fleet of trucks in our logistics business, and our vehicles may be involved in accidents that result in property damage or significant bodily injury or wrongful death to claimants. If we experience claims raised by such claimants that are not covered by our insurance or that exceed our insurance limits or reserves, or if we experience claims for which coverage is not provided, our financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

A significant labor dispute involving automobile manufacturers could reduce our turnover and harm our profitability

Labor disputes involving automobile manufacturers as our suppliers or customers could affect our operations and result in a scarcity of new automobiles to our dealership stores. For example, in May and June 2010, a series of labor disputes affected factories in southern China, including strikes and work stoppages at several factories that supplied components and parts to Honda and Toyota automobiles, which, in some cases, were resolved only after significant increases in wages were offered to the workforce of these factories. There can be no assurance that a similar labor dispute affecting automobile manufacturers would not materially affect us in future. A labor dispute affecting automobile manufacturers could result in a scarcity of new automobiles to our dealership stores and suspension of our logistics services business. Moreover, significant increases in labor costs as a result of negotiations to resolve labor disputes could also result in downward pressure on our margins, as automobile manufacturers seek to pass on some of their increased costs to us, which could reduce our turnover and harm our profitability.

Any decrease in demand for outsourced services by our customers or decrease in prices we are able to charge could reduce our profits and harm our logistics services business

Demand for our automobile logistics services is dependent on demand for outsourced logistics services by our customers, which may be adversely affected by a variety of factors. Production volumes of automobiles are sensitive to consumer demand as well as employee and labor relations. Declines in sales volumes, or the expectation of declines, for the automobile industry or for any of our individual customers could result in production cutbacks and unplanned plant shutdowns, leading to a decline in demand for our automobile logistics services. Potential clients may see a risk, based on labor relations issues or other factors, in relying on third-party logistics services providers or otherwise prefer to perform logistics operations themselves. Our customers may also experience changes in their prospects, substantial price competition and pressure on their profitability. Although such experiences can in general encourage outsourcing as a cost-reduction measure, they may also result in increasing pressure on us from our clients to lower our prices. The occurrence of any such events could result in a decline in demand for our logistics services, which in turn may have a material adverse effect on the results of operations, financial conditions and growth prospects of our automobile logistics services business.

Our logistics services business is dependent on third parties for transportation services

While we operate our own fleet of trucks, we also depend on arrangements with select third-party transportation companies to deliver finished automobiles components and parts, which are typically short term. Favorable arrangements with transportation companies are important to logistics services businesses. We cannot assure you that we will always be able to maintain our arrangements with transportation companies to meet our needs and allow us to remain competitive, particularly as compared with our large competitors who may not be dependent on third-party transportation companies. Any failure by us to maintain our arrangements with transportation companies could have a material adverse effect on the results of operations, financial condition and growth prospects of our automobile logistics services business.

RISK FACTORS

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

Properties occupied by our Group primarily comprise of dealership stores, logistics facilities, warehouses and ancillary buildings and offices. Any dispute or claim in relation to the title to the properties occupied by us, including any litigation involving allegations of illegal or unauthorized use of these properties, may result in us having to relocate our business operations 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 to obtain or maintain the title certificates required for the properties occupied by our Group.

We owned properties in the PRC with an aggregate gross floor area of 77,279 square meters and leased properties in the PRC with an aggregate gross floor area of 116,439 square meters, as of the Latest Practicable Date. For details of the properties owned or leased by us in our operations, please refer to the property valuation report prepared by Knight Frank Petty Limited contained in Appendix IV to this document.

As of the Latest Practicable Date, an aggregate gross floor area of 63,622 square meters of our owned properties, accounting for 82.3% of the aggregate gross floor area of our owned properties, were subject to defects in title, including as follows:

- We had not obtained title ownership certificates to properties with an aggregate gross floor area of 56,042 square meters, accounting for 72.5% of the aggregate gross floor area of our owned properties.
- Properties we owned with an aggregate gross floor area of 20,910 square meters, accounting for 27.1% of the aggregate gross floor area of our owned properties, had not been converted into state-owned transferring land from state-owned allocated land. Under PRC laws, rules and regulation, this conversion is required in order for the land use rights of those properties to be transferred to us.
- Properties we owned with an aggregate gross floor area of 19,038 square meters, accounting for 24.6% of the aggregate gross floor area of our owned properties, had not been converted into state-owned construction land from collectively-owned land. Under PRC laws, rules and regulations, this conversion is required in order for the land use rights of those properties to be transferred to us.

RISK FACTORS

As at the Latest Practicable Date, we operated certain of our 4S dealership stores on properties with defects in title. The following table sets forth the turnover generated from these 4S dealership stores during the Track Record Period.

	For the Year Ended 31 December			For the Six Months Ended 30 June
	2007	2008	2009	2010
	Turnover (RMB in thousands).....	1,096,392	1,186,780	1,746,935
Percentage ⁽¹⁾	37.7	39.0	35.1	34.6
Adjusted percentage ⁽²⁾	29.7	31.6	26.7	26.4
Further adjusted percentage ⁽³⁾	19.6	16.0	13.4	8.9

Note:

- (1) Excludes three properties which we constructed on leased land with defects in titles, as they have been taken into account in the turnover generated from 4S dealership stores with defects in the lease. Total turnover generated from these three properties, i.e. properties owned by Guangzhou Baoze, Shanghai Aohui and Shanghai Luda, was RMB 170.9 million, RMB 169.0 million, RMB 173.8 million and RMB 92.2 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively, representing 5.9%, 5.5%, 3.5% and 2.9% of our total turnover for such periods.
- (2) Excludes property used by Hubei Dingjie with a gross floor area of 41 square meters with defects in title, which we plan to dispose of in the near future. Such property is currently used as a reception room for after-sales services. Total turnover generated by Hubei Dingjie was RMB 231.4 million, RMB 224.6 million, RMB 417.6 million and RMB 257.4 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively, representing 8.0%, 7.4%, 8.4% and 8.2% of our total turnover for such periods.
- (3) Excludes properties for which we are in the process of remedying the defects in title, either by obtaining the title ownership certificates, demolishing buildings without appropriate ownership titles or relocating to alternative premises.

Our PRC Legal Advisors have advised us that upon the completion of applicable administrative procedures in converting state-owned allocated land and collectively-owned land into state-owned transferring land by the competent authorities, the execution of applicable agreements between the competent authorities and us relating to the transfer of land use rights of such state-owned transferring land and the payment of relevant land transfer fees and applicable taxes, we will be able to obtain the land use right certificates for such properties. Our PRC Legal Advisors have advised us that with these land use right certificates, together with the submission of construction approvals and certificates for such properties and other requisite documents to the competent authorities, there are no legal impediments to our obtaining the title ownership certificates to such properties. However, we do not exercise any control over the administrative process of title ownership certificates, and there can be no assurance that the title ownership certificates for such properties can be obtained on a timely basis or at all. Our failure to obtain the title ownership certificates to such properties may require us to seek alternative premises for our business operations, which may lead to disruptions in our business operations.

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We have not been provided with the relevant title ownership certificates or documents evidencing that the relevant lessors have requisite titles or rights to lease the properties to us for properties accounting for 8.9% of our leased properties, or an aggregate gross floor area of 10,350 square meters. We have been taking steps to obtain from our lessors of those properties, the relevant title ownership certificates, or other documents evidencing the authorisation of the relevant property owner to our lease. As at the Latest Practicable Date, the relevant lessors have not provided to our PRC Legal Advisors copies of the necessary documents, and accordingly, our PRC Legal Advisors have advised us that there may be legal impediments for the relevant property owner to obtain the relevant title ownership certificates.

A lessor’s failure to duly obtain title to the property it has leased to us may potentially invalidate our lease agreements. Should disputes arise due to encumbrances on the title of these lease properties, we may encounter difficulties in continuing to lease and use the properties.

As of the Latest Practicable Date, we operated certain of our 4S dealership stores on properties with defects in the lease. The following table sets forth the turnover generated from these 4S dealership stores during the Track Record Period.

	For the Year Ended 31 December			For the Six Months Ended 30 June
	2007	2008	2009	2010
Turnover (RMB in thousands)	716,288	756,065	1,146,730	693,475
Percentage	24.6	24.8	23.0	22.2

If any of our leases were terminated as a result of being challenged by third parties or failure of our lessors to renew upon expiration, we may need to seek alternative premises and incur additional costs relating to such relocations. Although some of our lessors have agreed to indemnify us against any costs, expenses and operating or business losses (including without limitation, penalties and fines imposed by the relevant PRC authorities) arising from the relocation of the business or assets from their respective properties with defective title ownership certificates and our Directors believe that any relocation costs would not be significant, any such relocation could disrupt our operations and adversely affect our results of operations and financial position.

Our non-compliance with social insurance and housing provident fund contribution requirements under national and local laws and regulations may subject us to fines and other penalties

Under PRC national laws and regulations, our subsidiaries in the PRC are required to make mandatory contributions to a number of social insurance schemes including basic pension insurance and housing provident fund for their employees who are eligible for such benefits.

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We provide social insurance and make housing provident fund contributions to our employees in accordance with local government authorities’ implementation policies. We have received confirmation letters from the local government authorities stating that we have made all the requisite contributions to social security insurance funds and housing provident funds according to the local regulations, other than the basic medical insurance of Shantou Hongxiang and the housing provident fund contributions in respect of certain of our subsidiaries. Due to the different levels of development in employee benefits in different parts of the PRC, the local policies in some jurisdictions where we operate are less stringent than the requirements under the PRC laws and regulations governing the PRC housing provident fund. Given the relatively high mobility of our employees, significant administrative resources are needed to properly administer housing provident fund contributions for all of our employees and as a privately-owned company, we did not allocate such resources in the past.

According to the “Regulations on Management of Housing Provident Fund” (住房公積金管理條例), in the event that a company fails to carry out the formalities of opening the requisite housing provident fund accounts, such company may be ordered by the housing provident fund management centre to carry out the requisite formalities within a prescribed time limit, failing which a fine of RMB 10,000 to RMB 50,000 may be imposed. In the event that a company continues to delay the submission of the full amount of the requisite payment and deposit of the housing provident fund, such company may then be ordered by the housing provident fund management centre to make the requisite payment and deposit within a prescribed time limit, failing which an application may be made to a court for compulsory enforcement.

We expect to complete registration applications for the payment of housing provident fund contributions at the relevant PRC authorities and pay housing provident fund contributions in respect of all eligible employees by December 2010. As of the Latest Practicable Date, all of our subsidiaries have opened the requisite housing provident fund accounts. As of the Latest Practicable Date, we had not fully repaid all of the outstanding housing provident fund contributions but we have made, as of 30 June 2010, a provision of RMB 2.4 million in respect of the overdue housing provident fund contributions for the Track Record Period. We will repay all outstanding housing provident fund contributions as and when requested by the housing provident fund management centre.

If the PRC government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may materially and affect our results of operations.

We cannot assure you that we will continue to receive the preferential tax treatment currently enjoyed by our Group

Wuhan Jietong enjoyed preferential enterprise income tax rates which were lower than the standard tax rate during the Track Record Period as approved by the relevant tax authorities or operated in areas with preferential enterprise income tax policies in the PRC. As a qualified production-oriented foreign invested enterprise, Wuhan Jietong was exempted from income tax for 2007 and 2008 and is subject to income tax at a rate of 12.5% for 2009 to 2011 and 25% thereafter.

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On 16 March 2007, China’s EIT Law was announced, followed by the announcement of the related detailed implementation regulations on 6 December 2007, with both taking effect on 1 January 2008. Under the EIT Law, foreign-invested enterprises and domestic companies are subject to a uniform tax rate of 25%, which is lower than the previous uniform tax rate of 33%. Changes to the PRC taxation laws, rules and regulations mean that comparisons between our past post-tax financial results may not be meaningful and should not be relied upon as indicators of our future performance. Furthermore, there can be no assurance that there will be no further changes to the PRC tax laws that could adversely affect our Group. In addition, any increase in our enterprise income tax rate in the future due to the introduction of the EIT Law or otherwise could have an adverse effect on our financial condition and results of operations.

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 arising in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5% if a Hong Kong resident enterprise owns over 25% of a PRC company. Further, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties, which became effective on 1 October 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, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will not levy a higher withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries.

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

Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise”, meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementation rules of the EIT Law define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Enterprises registered outside China but controlled by a PRC enterprise are subject to the “Notice related to Categorized Enterprises registered outside China but with PRC controlling shareholders as Resident Enterprise” (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the Ministry of Taxation, according to which PRC resident enterprises are deemed to include enterprises that are registered outside of China in compliance with foreign laws and that are controlled by a PRC enterprise or company group. Our company is not categorized as such an enterprise. As no official interpretation or application of this new “resident enterprise”

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classification, PRC operating enterprises with an individual as a controlling shareholder and enterprises registered outside China in accordance with foreign laws is currently available, it is unclear how the PRC tax authorities will determine whether an entity will be classified as a “resident enterprise”.

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 income such as interest on [●] proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, in comparison to no taxation in the Cayman Islands.

In addition to the uncertainty as to the application of the new “resident enterprise” classification, there can be no assurance that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

Implementing our growth strategy may expose us to certain risks

Our growth strategy includes the organic establishment or acquisition of additional dealership stores in strategic cities in China. There are significant risks involved in our expansion plan, including whether we will be able to: (a) obtain sufficient funding for our expansion; (b) enter into dealership authorization agreements for new dealership stores or acquisition agreements to acquire existing dealership stores; (c) obtain appropriate licenses, permits and approvals from relevant PRC government authorities on a timely basis; (d) secure premises for new automobile dealership stores in desired locations; (e) hire, train and maintain sufficient qualified personnel; and (f) ramp up new dealership stores to achieve profitability within expected timeframes. In addition, there can be no assurance that we will be able to attract new customers or expand our fleet of trucks or enter into arrangements with transportation companies to grow our logistics business, or that we will be able to expand our customer base to grow our lubricant oil trading business.

Business or operational strategies and policies adopted by automobile manufacturers, other suppliers or clients and competitors may also significantly influence the results of our growth strategy. In addition, various factors beyond our control may significantly influence the results of our growth strategy, including general economic conditions in China, particularly in the automobile market and the automobile industry and the specific geographical areas we operate in.

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We recorded net current liabilities as of 31 December 2007, 2008 and 2009 and 30 June 2010 and net cash used in operating activities for the year ended 31 December 2008 and the six months ended 30 June 2010 and we cannot assure you that we will not experience the same again in the future

We had a net current liabilities position of approximately RMB 379.3 million, RMB 338.4 million and RMB 77.1 million, as of 31 December 2007, 2008 and 2009 respectively. As of 30 June 2010, we had a net current liabilities position of approximately RMB 75.4 million. Our net current liabilities were due in part to current liabilities incurred in connection with loans from related parties to support our working capital requirements and the expansion of our dealership network. These loans are unsecured, interest free and have no fixed terms of repayment. Excluding our payables due to related parties and receivables due from related parties, we would have had net current liabilities of RMB 180.7 million, net current assets of RMB 25.3 million and RMB 41.3 million and RMB 113.3 million as of 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. We have settled our payables due to related parties with cash collection of receivables due from related parties and capitalize the remaining balance due to related parties into equity of the applicable entities, which will be reflected as contribution from an equity holder of the Company in the combined financial information. The net current liabilities as of 31 December 2007 were mainly attributable to our use of short term loans to fund our capital expenditures. Moreover, we had net cash used in operating activities for the year ended 31 December 2008 of RMB 24.2 million, which we attribute primarily to strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2009. For the six months ended 30 June 2010, we had net cash used in operating activities of RMB 152.4 million, which we attribute primarily to purchases of new automobiles in connection with the expansion of our dealership business by five dealership stores in the six months ended 30 June 2010, together with strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2010. See the section headed “Financial Information — Liquidity and Capital Resources — Cash Flow — Cash flow generated from/(used in) operating activities” in this document.

During the Track Record Period, we did not experience any significant difficulties in rolling over our short term loans in the ordinary course of business when they fell due. However, there can be no assurance that we will not experience a net current liabilities position or cash outflows from our operating activities in the future. If we have net current liabilities or cash outflows from our operating activities in the future, our working capital for our operations may be constrained which may materially and adversely affect our businesses, prospects, financial condition and results of operations.

Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile dealership and logistics services industries

The PRC automobile dealership industry is competitive. According to ACMR, in 2009, there were 38 middle market and premium automobile brands sold through approximately 7,280 dealership stores. In addition, China’s accession to the World Trade Organization in November 2001 has further facilitated the entry of foreign entities in the PRC automobile dealership industry. As a result, our business may be affected not only by competition from other dealership stores in the same region selling the same brands and models of automobiles as our dealership stores, but also by competition among automobile manufacturers in terms of quality, design and price. We believe that dealership stores in the PRC compete for customers on the level of customer services, inventory of automobiles,

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capabilities of sales personnel, automotive engineers and technicians and the prices of their automobiles. We expect that the competition we face will increase as the number of dealership stores increase. An increased number of automobile manufacturers and dealers in the PRC automobile industry could impact our market share and result in a decrease in turnover and profit in our dealership business and our growth prospects may be adversely affected.

The PRC automobile logistics services industry is also competitive. In addition, the logistics services industry has increasingly become subject to competition from foreign companies as a result of changes in regulatory policies that have reduced or eliminated restrictions on the provision by foreign companies of logistics services in China. Our customers may also choose to develop their own logistics capabilities, which could reduce or eliminate demand for our services.

Strict or stricter fuel economy standards and emission standards, high fuel prices and taxes on automobile consumption may restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC

The implementation and enforcement of strict or stricter fuel economy standards and emission standards for automobiles are likely to raise manufacturing and distribution costs for all automobile manufacturers. Automobile manufacturers may raise their pricing guidelines for their automobiles and consumer demand for automobiles (particularly more expensive automobiles such as the premium branded automobiles), spare parts, and automobile accessories may decline as a result. In addition, increased manufacturing and distribution costs may result in downward pressure on margins in our logistics services business, as automobile manufacturers seek to pass on some of their increased costs to our dealerships and logistics services businesses, which could reduce our turnover and harm our profitability, and have a material and adverse effect on our business and prospects. Moreover, while our contractual arrangements with our customers in our logistics services business typically permit us to impose surcharges in the event fuel prices increase, these arrangements may not fully protect us from fuel price increases if our customers demand that we lower our prices or reduce their volumes as a result of such fuel surcharges.

The PRC government currently subsidizes the retail price of gasoline. The PRC government may adjust the domestic oil supply price by considering several factors, including change in global crude oil price. The fluctuation of gasoline prices have led to noticeable changes in the level of demand for fuel in the PRC and disparities in the cost and availability of petrol between different parts of China and made the cost of gasoline in the PRC less predictable. If the demand for fuel increases in the PRC, fuel shortages or price increases may occur. Consumers may avoid increased or unpredictable costs or shortages and utilize alternative means of transport such as bicycles, public buses and subways, or purchase more fuel-efficient automobiles.

The PRC government adopted an automobile consumption tax on 1 January 1994. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on 1 September 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. Certain of the automobiles we sell have large cylinder capacities and are subject to relatively higher automobile consumption tax rates.

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In addition, the reduced automobile purchase tax rate applicable to automobile with an engine capacity of 1.6 liters or less has been increased from 5% to 7.5% with effect from 1 January 2010. We confirm that we have not yet experienced any material impact of the aforementioned policy on our general operations as at the Latest Practicable Date, and we consider that the increase of the reduced automobile consumption tax rate should not have any significant impact on our Group’s operation and business performance given the contribution of turnover by automobile with capacity of 1.6 liters or less during the Track Record Period was not significant.

There can be no assurance that the PRC government will not implement stricter fuel economy standards, emission standards, further increase fuel prices or automobile consumption tax rates, or impose additional restrictions or taxes, or reduce or abort automobile consumption tax cuts on the PRC automobile industry. We may not be able to pass on increased costs to consumers, or may face a decline in sales as a result of higher prices, and there may be a material and adverse effect on our turnover, profits, and growth prospects.

RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC government determines that the agreements that establish the structure for operating our business otherwise do not comply with applicable PRC laws, rules and regulations, we could be subject to severe penalties

We are a Cayman Islands corporation and a foreign legal person under Chinese laws. Our automobile dealership business is currently provided through our contractual arrangements with our PRC Operating Entities in China. Their shareholders are set forth in the section headed “Contractual Arrangements” in this document. Our PRC Operating Entities directly operate our businesses in China. We have been and are expected to continue to be dependent on PRC Operating Entities to operate our automobile dealership business. We do not have any equity interest in any of the PRC Operating Entities but substantially control their operations and receive the economic benefits and bears economic risks of them through a series of contractual arrangements. For more information regarding these contractual arrangements, see the section headed “Contractual Arrangements” in this document.

There are uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations, including but not limited to the 30 Dealerships Limitation and the laws, rules and regulations governing the validity and enforcement of our contractual arrangements with the PRC Operating Entities. During the period between June and August 2010, our Company and our PRC Legal Advisors (among other parties) made verbal consultation with officials of competent government authorities. Our PRC Legal Advisors are of the opinion that these officials have the relevant authority and creditability to give guidance on the interpretation and applicability of the 30 Dealerships Limitation. These officials gave verbal comments and confirmed that, before being superseded by new regulations, the 2007 Edition of the Catalogue with the 30 Dealerships Limitation remains to be applicable as part of the PRC’s foreign investment regulations. Although we have been advised by our PRC Legal Advisors that the structure for operating our business in China (including our corporate structure and contractual arrangements with the PRC Operating Entities) complies, and

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after the completion of this [●] will continue to comply, with all applicable PRC laws, rules and regulations, and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations, we cannot assure you that the PRC regulatory authorities will not determine that our corporate structure and contractual arrangements violate PRC laws, rules or regulations.

If we, any of the PRC Operating Entities or any of their current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- invalidating our contractual arrangements;
- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions among our PRC subsidiaries and PRC Operating Entities;
- imposing fines, confiscating the income of the PRC Operating Entities or our income, or imposing other requirements with which we or our PRC subsidiaries and PRC Operating Entities may not be able to comply;
- requiring us or our PRC subsidiaries and PRC Operating Entities to restructure our ownership structure or operations; or
- restricting or prohibiting our use of the proceeds of this [●] to finance our business and operations in China.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business, our financial condition and results of operations.

We rely on contractual arrangements with the PRC Operating Entities in China and their shareholders for our business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interests

We rely on and expect to continue to rely on contractual arrangements with the PRC Operating Entities in China and their respective shareholders to operate our automobile dealership business. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our PRC Operating Entities were RMB 2,856.4 million, RMB 2,929.6 million, RMB 4,650.9 million and RMB 2,927.5 million respectively, representing 98.2%, 96.2%, 93.4% and 93.6% of our total turnover for such periods. These contractual arrangements may not be as effective in providing us with control over the PRC Operating Entities as ownership of controlling equity interests would be in providing us with control over, or enabling us to derive economic benefits from the operations of, the PRC Operating Entities. If we had direct ownership of the PRC Operating Entities, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations,

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at the management level, and (ii) derive economic benefits from the operations of the PRC Operating Entities by causing them to declare and pay dividends. However, under the Contractual Arrangements, we are only entitled to exercise our contractual rights (instead of rights as shareholder). Although the Contractual Arrangements cannot be terminated unilaterally by PRC Operating Entities, if any of the PRC Operating Entities or any of their shareholders fails to perform its, his or her respective obligations under the Contractual Arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if shareholders of a PRC Operating Entity were to refuse to transfer their equity interests in such PRC Operating Entity to us or our designated persons when we exercise the purchase option pursuant to the Contractual Arrangements, we may have to take a legal action to compel them to fulfill their contractual obligations. In addition, enforcement of certain terms in the Contractual Arrangements, such as the remedies provided by an arbitrator, may not be enforced by PRC courts or may not be enforceable under the PRC laws.

If (i) the applicable PRC authorities invalidate these Contractual Arrangements for violation of PRC laws, rules and regulations, (ii) the shareholders of any PRC Operating Entity terminate or purport to terminate the Contractual Arrangements or (iii) any PRC Operating Entity or its shareholders fail to perform their obligations under the Contractual Arrangements, our business operations in China would be adversely and materially affected, and the value of our Shares would substantially decrease. Further, if we, having regard to the costs and/or risks associated with the Contractual Arrangements under the then prevailing regulatory requirements, do not renew or fail to renew (upon the extension of the operation period under the business license of any PRC Operating Entity) the Contractual Arrangements upon their expiration, we would not be able to continue our business operations unless the current PRC laws allow us to directly operate our businesses in China.

In addition, if any PRC Operating Entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of the PRC Operating Entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate turnover and the market price of our Shares.

All of the agreements which constitute the Contractual Arrangements are governed by the PRC laws and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in some other jurisdictions, such as Hong Kong. As a result, uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In addition, according to the PRC Legal Advisors, under the PRC laws, the arbitral body does not have the power to grant interim remedies such as injunctive relief or provisional liquidation order for purpose of protecting assets or shares. Such remedies therefore may not be available to our Group, notwithstanding contractual provisions being contained in the agreements which constitute the Contractual Arrangements. In addition, under the PRC laws, courts or judicial authorities in the PRC generally do not grant interim remedies (such as injunctive relief or provisional winding-up order) in favour of any aggrieved party to the Contractual Arrangements, before there is any final outcome of arbitration. Our PRC Legal Advisors also have reservation that even if overseas courts are provided

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under the Contractual Arrangements to be given jurisdictions to grant and/or enforce interim remedies or in support of arbitration, such remedies may not be enforced by the PRC court. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our PRC Operating Entities, and our ability to conduct our business may be negatively affected.

The Contractual Arrangements may subject us to additional taxes and to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemptions, or both, which could substantially increase our taxes owed and thereby reduce our net income

Since 17 November 2010, as a result of the effectiveness of our Contractual Arrangements, the profit before tax generated by our automobile dealership business, which we operate through our PRC Operating Entities, has been subject to business tax and other related levies at an aggregate rate of approximately 5.6%. This business tax, as with other business taxes incurred by our Company, will be deducted from our gross turnover prior to the determination of our profit before taxation for enterprise income tax purposes.

Moreover, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. If any of the transactions we have entered into among our wholly-owned subsidiary in China and any of the PRC Operating Entities and their respective shareholders are determined by the PRC tax authorities not to be on an arm’s length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may adjust the profits and losses of such PRC Operating Entity and assess more taxes on it. In addition, the PRC tax authorities may impose late payment fees and other penalties to such PRC Operating Entity for under-paid taxes. Our net income may be adversely and materially affected if the tax liabilities of any of the PRC Operating Entities increase or if it is found to be subject to late payment fees or other penalties.

We rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company, and we rely principally on dividends from and other equity distributions by our PRC equity-held subsidiaries in China, particularly Wuhan Jietong, for our cash requirements, including the funds to service any debt we may incur. If Wuhan Jietong incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Wuhan Jietong currently has in place with the PRC Operating Entities in a manner that would materially and adversely affect the ability of Wuhan Jietong to pay dividends and other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by Wuhan Jietong out of its retained earnings only, if any, in accordance with accounting standards and regulations of China. Under PRC laws, rules and regulations, Wuhan Jietong is also required to set aside a portion of its net income each year to fund specific reserve funds. In addition, the statutory general reserve fund requires annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends until the cumulative fund reaches 50% of the registered

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capital. As a result of these PRC laws, rules and regulations, Wuhan Jietong is restricted from transferring a portion of its net assets to us whether in the form of dividends, loans or advances. As of 30 June 2010, Wuhan Jietong’s surplus reserve and capital reserve totaled RMB 0.9 million. These reserves are not distributable as cash dividends. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to conduct our business, make investments or acquisitions that could be beneficial to our businesses, and pay dividends or otherwise fund or expand our business.

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

Substantially all of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in China. The Chinese 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 China 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 China’s 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 the economy of China 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 economy of China, 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 China, 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 China 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 China. However, China has not developed a fully integrated

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legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. 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 China may be protracted and could result in substantial costs and diversion of resources and management attention.

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

In utilizing the proceeds from this [●], 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 China 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 the PRC Ministry of Commerce, or its local counterpart. Because the PRC 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 the 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 [●] and to fund our operations in China 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

Our Company is a holding company. Our turnover is generated from our business operations conducted through our subsidiaries. Our Company’s ability to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries, depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If any 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. These restrictions could reduce the amount

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of dividends or other distributions that our Company receives from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company’s future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

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

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

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 Investing Back in China by Domestic Residents (“SAFE Circular”) promulgated by SAFE on 21 October 2005 which became effective on 1 November 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 change 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. To the best of our knowledge, as at the Latest Practicable Date, the requisite registration with SAFE for PRC Shareholders’ offshore investments in our Group has been

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completed. In addition, our PRC Shareholders will be required to amend their registration with SAFE after the completion of the [●]. 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.

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

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

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

The state of the PRC’s political relationships with other nations 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. A significant number of automobile manufacturers and suppliers are foreign entities with headquarters in Japan or members of the European Union, or are joint ventures incorporated in the PRC by such foreign entities.

China’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 China and the

RISK FACTORS

automobile manufacturer 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 turnover and profits and materially and adversely affect our financial condition, results of operations and prospects for growth.

The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China

The M&A Rule establishes additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, particularly in some instances where the approval of the Ministry of Commerce shall be 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 grow our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

The exchange rates between the Renminbi and the U.S. dollar, Euro and other foreign currencies is affected by, among other things, changes in China’s political and economic conditions. In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi was permitted to fluctuate within a band against a basket of certain foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. For almost two years after July 2008, the RMB traded within a very narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase RMB exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar.

As we may rely on dividends and other fees paid to us by our subsidiaries and PRC Operating Entities in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, turnover, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. To the extent that we need to convert Hong Kong dollars we received from [●] into Renminbi for our operations, appreciation of the 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 the Renminbi would have a negative effect on the Hong Kong dollar amount available

RISK FACTORS

to us. In addition, since our functional and reporting currency is the Hong Kong dollar while the functional currency of our subsidiary and PRC Operating Entities in China is Renminbi, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar would have a positive or negative effect on our reported financial results, which may not reflect any underlying change in our business, results of operations or financial condition.

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 turnover 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 China. 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 China 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 turnover 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 China or otherwise fund our business activities that are conducted in foreign currencies.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees’ share options and restricted share units in our Group may subject such employees or us to fines and legal or administrative sanction

Pursuant to the “Implementation Rules of the Administration Measure for Individual Foreign Exchange” (個人外匯管理辦法實施細則), or the Individual Foreign Exchange Rules, issued on January 5, 2007 by the SAFE, and relevant guidance issued by the SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of the overseas listed company or its qualified PRC agents, to obtain the approval of the SAFE and complete certain other procedures related to the share options or other share incentive scheme. However, no detailed administrative rules have been issued by the SAFE in connection with the registration process and therefore the requirements of the local branches of the SAFE vary significantly. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizens or exchanged into Renminbi. Our PRC

RISK FACTORS

citizen employees who have been granted share options or restricted share units, or our PRC option holders, will be subject to the Individual Foreign Exchange Rules upon [●]. If we or our PRC option holders fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal or administrative sanctions.

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

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

DIRECTORS AND PARTIES INVOLVED

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
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Executive Directors

WANG Kunpeng (王昆鹏)	3 Zhongmen, 2/F, Door 1 Block 445, Silian Main Street Ziliwei 445 Zu, Jincheng Road Changchun City Jilin Province PRC	PRC
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LI Zubo (李著波)	No. 10, 21/F No. 707 Zhongshan Main Road Jiangan District Wuhan Hubei Province PRC	PRC
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CAO Limin (曹里民)	Room 3A02 Block 2, Unit 2 No. 188 Binjiang Main Road Hanjiu District Wuhan Wuhan Hubei Province PRC	PRC
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LIU Dongli (柳東麗)	No. 139 333 Qingtong Road Pudong New Area Shanghai PRC	PRC
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Non-Executive Directors

WANG Muqing (王木清)	61 Lakeside Ville 1517 Huqingping Road Shanghai PRC	PRC
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DIRECTORS AND PARTIES INVOLVED

Name	Residential Address	Nationality
CHEN Tao (陳弢)	Room 1102 No. 37, 800 Lane Jin Xin Road Pudong New Area Shanghai PRC	PRC
Independent Non-Executive Directors		
WONG Tin Yau, Kelvin (黃天祐)	Block D2 4th Floor Greenville Gardens 14-17 Shiu Fai Terrace Stubbs Road Hong Kong	United Kingdom
TAN Xiangyong (譚向勇)	No.504 Door 2 Block 16 Yard 2 West Yuanmingyuan Road Haidian District Beijing PRC	PRC
ZHANG Yansheng (張燕生)	8th Floor, Unit 1401 Enjili Residential Quarters Haidian District Beijing PRC	PRC

DIRECTORS AND PARTIES INVOLVED

PARTIES INVOLVED

Legal Advisors to the Company

as to Hong Kong law:

Chiu & Partners

40/F, Jardine House, 1 Connaught Place

Hong Kong

as to United States law:

Simpson Thacher & Bartlett LLP

35th Floor, ICBC Tower

3 Garden Road

Hong Kong

as to PRC law:

Jingtian & Gongcheng

34/F, China Central Place

77 Jianguo Road

Beijing

PRC

as to Cayman Islands law:

Conyers Dill & Pearman

2901 One Exchange Square

8 Connaught Place, Central

Hong Kong

Reporting Accountants

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Hong Kong

Property Valuer

Knight Frank Petty Limited

4th Shui On Centre

6-8 Harbour Road

Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters	Baoze Plaza, No. 59 West Third-Ring South Road Beijing PRC
Place of Business in Hong Kong	40/F, Jardine House 1 Connaught Place Central, Hong Kong
Website address	www.zhengtongauto.com (information contained in this website does not form part of this document)
Company Secretary	Liang, Current Tien Tzu Flat A, 23/F, Block 4 Serenity Place 88 Po Hong Road, TKO New Territories Hong Kong
Authorized Representatives	Liu Dongli No. 139 333 Qingtong Road Pudong New Area Shanghai PRC Liang, Current Tien Tzu Flat A, 23/F, Block 4 Serenity Place 88 Po Hong Road, TKO New Territories Hong Kong
Members of the Operation and Management Committee	Wang Kunpeng (Chairman) Li Zubo Cao Limin Liu Dongli Mok Kwok Choi Peter Wang Guoqing

CORPORATE INFORMATION

Members of the Audit Committee	Wong Tin Yau, Kelvin (Chairman) Chen Tao Zhang Yansheng
Members of the Nomination Committee	Zhang Yansheng (Chairman) Liu Dongli Tan Xiangyong
Members of the Remuneration Committee	Tan Xiangyong (Chairman) Wang Kunpeng Wong Tin Yau, Kelvin
Principal Bankers	China Construction Bank Corporation Hubei Branch No. 709 Jianshe Avenue Wuhan PRC Shenzhen Development Bank Shanghai Waitan Branch Zhongshan East Road 8 Shanghai PRC Bank of China, Wuhan Economic Development Zone Branch No. 128 Shenlong Street Wuhan, Hubei PRC China Merchants Bank, Liberation Park Branch No. 1338 Jiefang Avenue Wuhan, Hubei PRC Industrial Bank, Hankou Branch No. 277 Qingnian Road Wuhan, Hubei PRC Bank of Communications, Pacific Branch No. 509 Jiefang Avenue Wuhan, Hubei PRC

INDUSTRY OVERVIEW

We commissioned ACMR, a specialized Chinese market research provider and an Independent Third Party, to conduct an analysis of and to report on the PRC automobile market and industry.

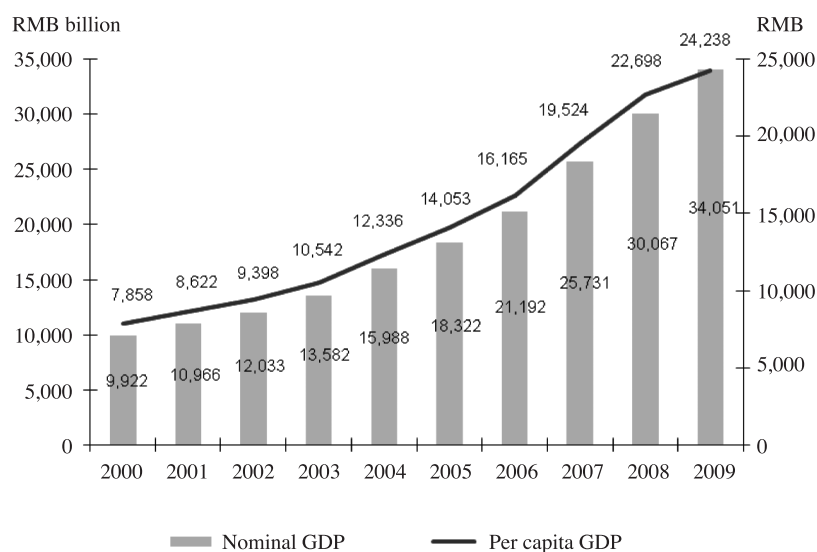
The industry report dated 29 November 2010 was produced by ACMR’s analysts with specific knowledge of the PRC automobile industry and the forecasts were based on ACMR’s analysis of historical data and trends. This information was obtained by ACMR from a variety of industry sources, including relevant PRC government departments and established PRC industry organizations such as the State Statistical Bureau, the China Association of Automobile Manufacturers and the China Automobile Dealers Association. ACMR has conducted interviews with market participants and industry experts in order to support, verify and cross check its estimates. In addition, ACMR has conducted a survey with 645 respondents on the consumer behavior of the PRC automobile industry.

Certain information set forth in this section has been extracted from the industry report prepared by ACMR. The consulting fees paid by the Company to ACMR in connection with the preparation of the industry report for this prospectus is approximately RMB 368,000.

RAPID EXPANSION OF THE PRC ECONOMY

The PRC economy has been developing rapidly since the implementation of a series of measures by the PRC government in the late 1970s, which emphasized the utilization of market forces in economic reform, the reduction of state ownership in productive assets and the improvement corporate governance in business enterprises. As a result of these and several later measures, such as the designation of special economic zones along coastal regions in China in the early 1980s, the PRC economy has experienced rapid expansion in the past decade. According to the National Bureau of Statistics of China, the PRC’s nominal GDP grew from RMB 9.9 trillion in 2000 to RMB 34.1 trillion in 2009, representing a CAGR of 14.7%, and the PRC’s GDP per capita grew from RMB 7,858 in 2000 to RMB 24,238 in 2009, representing a CAGR of 13.3%.

Nominal GDP and GDP Per Capita in the PRC



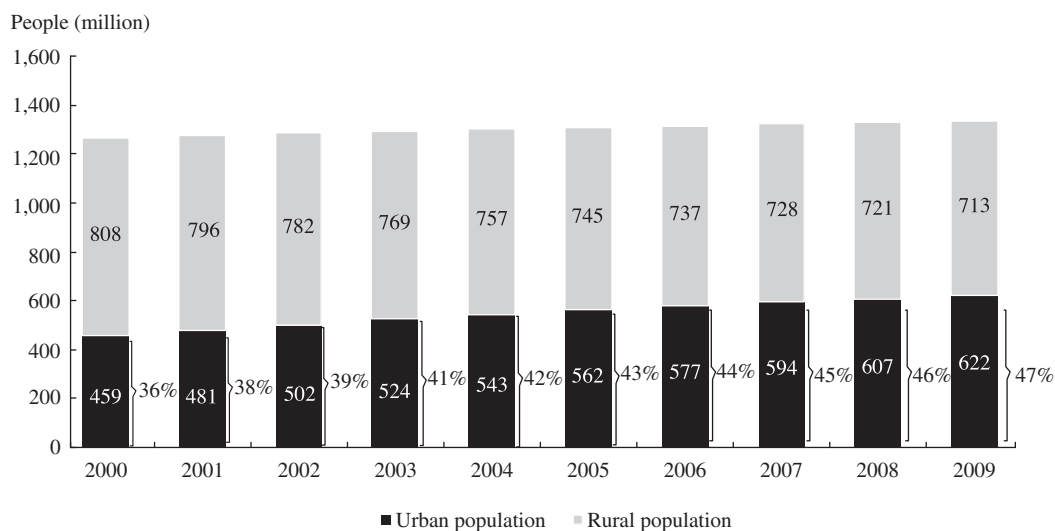
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Increasing Urbanization

The rapid economic growth in the PRC has resulted in accelerating urbanization due to the migration of populations from rural, less developed areas to urban, more developed areas. Between 2000 and 2009, the total urban population in the PRC increased by approximately 163 million. In 2009, the total urban population in China was approximately 622 million, representing approximately 47% of the total population in China.

Growth of the Urban Population in the PRC



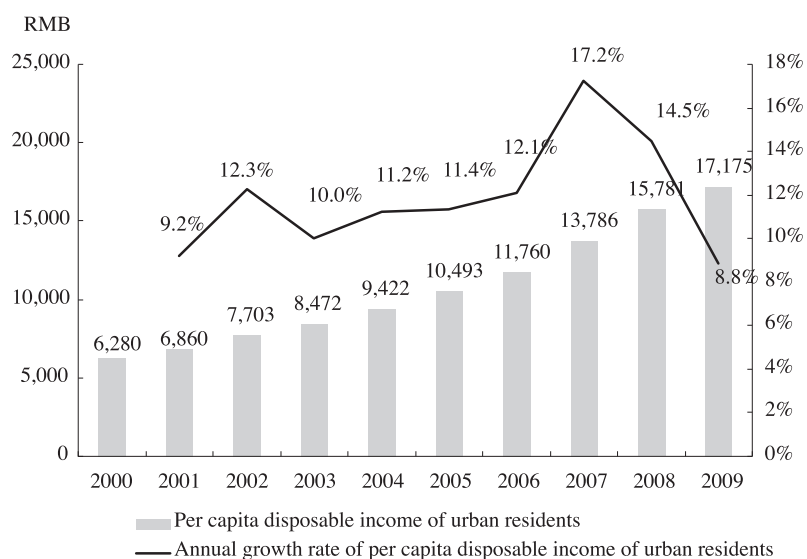
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Increasing Disposable Income

The rapid GDP growth and urbanization rate have led to a corresponding improvement in living standards and increases in purchasing power, in terms of the per capita annual disposable income of urban residents. Between 2000 and 2009, the per capita annual disposable income of urban residents increased from approximately RMB 6,280 to RMB 17,175, representing a CAGR of 11.8%.

Per Capita Annual Disposable Income of Urban Residents in the PRC



Source: National Bureau of Statistics of China

As a result of China’s rapid economic expansion and urbanization, large and growing middle and upper-middle classes, as well as a significant population of wealthy individuals, have emerged in China. The growth of China’s middle and upper-middle classes and increase in the number wealthy individuals have significantly driven up the demand for premium products, including premium branded automobiles in the PRC. The number of individuals with annual income of more than RMB 120,000 has grown from 1.6 million in 2006 to 2.7 million in 2009, representing a CAGR of 18.2%. In addition, despite the global financial crisis and economic downturn, the number of wealthy individuals, with net assets of over US\$1 million, grew 31% from 2008 to 0.5 million in 2009, which have further driven up the demand for premium automobiles.

INDUSTRY OVERVIEW

Number of Global Wealthy Individuals (Net Assets Exceeding US\$1 million), 2009

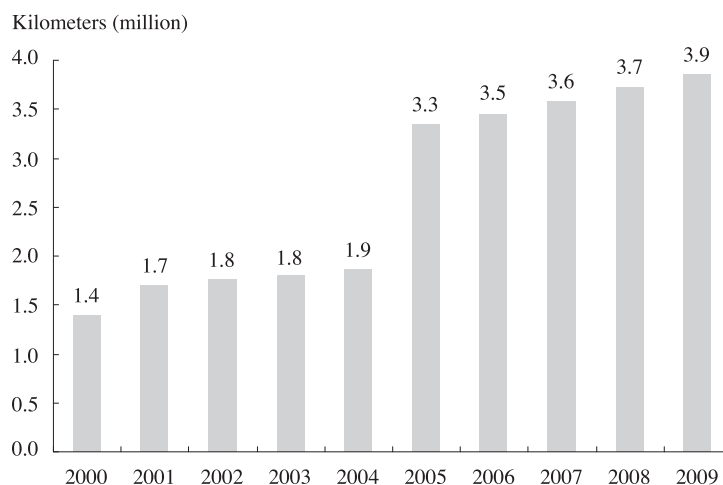
Ranking	Country	Number (million)	% change from 2008
1	United States	2.9	16.5%
2	Japan	1.7	20.8%
3	Germany	0.9	6.4%
4	China	0.5	31.0%
5	United Kingdom	0.5	8.0%

Source: World Wealth Report 2010

Expanding Highway Network

The rapid economic growth and increasing urbanization in China have been coupled with significant investments in and the rapid expansion of highway networks in China. From 2000 to 2009, the investment in highway construction grew at a CAGR of 17.2% and the aggregate length of highways grew at a CAGR of 11.9%. In 2009, China ranked the second in the world in terms of the aggregate length of highways. China is expected to surpass the United States and become the world leader in the aggregate length of highways in the next two to three years. The rapid development of roadways in China facilitates the use of automobiles and is another key driver of the automobile demand in China.

Length of Highways in the PRC



Source: Ministry of Transport of the PRC

INDUSTRY OVERVIEW

PRC AUTOMOBILE MARKET

The rapid growth of the PRC economy, increases in disposable income, the emergence of China’s middle and upper-middle classes, the increasing number of wealthy individuals and the expansion of highway infrastructure, combined with other factors such as favorable government policies, the entry of foreign automobile brands and the increasing availability of financing, have propelled the PRC passenger automobile market to become the largest and one of the fastest growing in the world.

Largest Market in the World

In 2009, China become the largest passenger automobile market with approximately 8.8 million new automobiles sold, compared to approximately 4.5 million new automobiles sold in 2006, representing a CAGR of 25.3%.

Top 10 Passenger Automobile Markets

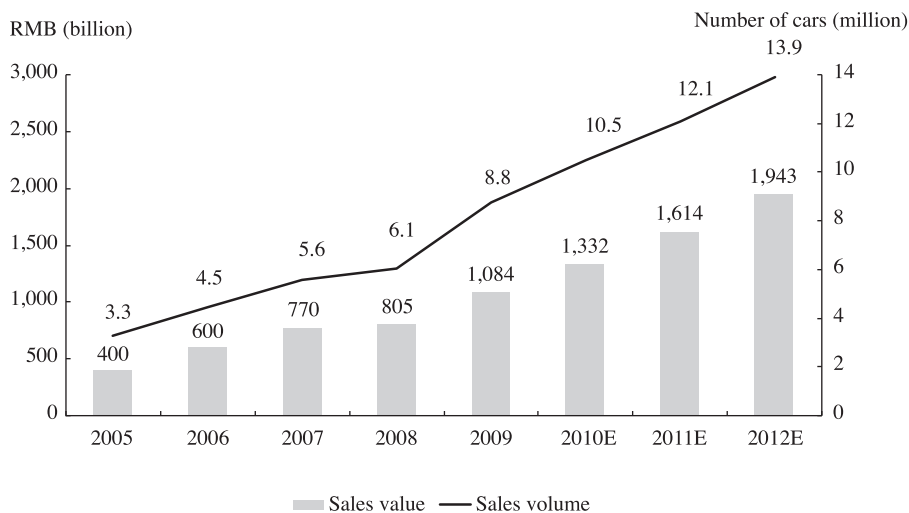
Rank	Country	2006	2007	2008	2009	CAGR (06-09)
Number of new passenger automobiles sold/registered (million)						
1	China	4.45	5.58	6.06	8.75	25.3%
2	USA	7.79	7.60	6.81	5.46	-11.2%
3	Japan	4.64	4.40	4.23	3.92	-5.4%
4	Germany	3.47	3.15	3.09	3.81	3.2%
5	Brazil	1.56	1.98	2.67	3.01	24.6%
6	France	2.00	2.06	2.05	2.27	4.3%
7	Italy	2.33	2.49	2.16	2.16	-2.5%
8	UK	2.34	2.40	2.13	1.99	-5.2%
9	Korea	1.20	1.27	0.96	1.17	-0.8%
10	Spain	1.63	1.61	1.16	0.95	-16.5%

Source: ACRM

INDUSTRY OVERVIEW

The PRC automobile market is expected to maintain its strong growth, with sales volume of new automobiles expected to reach approximately 13.9 million in 2012, and sales value expected to reach RMB 1.9 trillion, representing a CAGR of 16.7% and 21.5% respectively from 2009.

Sales Value and Sales Volume of New Passenger Automobiles in the PRC

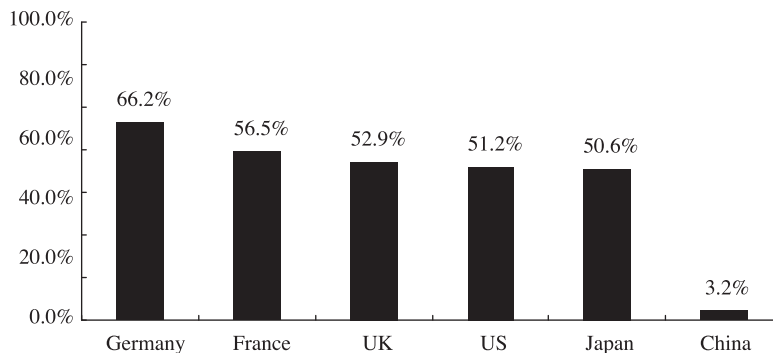


Source: Automobile Manufacturers Association, ACMR

Significant Potential for Continued Growth

Significant potential remains for continued growth of the PRC automobile market, as suggested by the low penetration rate of automobiles in China relative to other major markets in the world. In 2009, the automobile penetration rate, which presents the number of automobiles per 100 residents, was 3.2% in China, compared to 66.2% in Germany, 56.5% in France, 52.9% in the United Kingdom, 51.2% in the United States and 50.6% in Japan.

Automobile Penetration Rate, 2009



Source: ACMR

INDUSTRY OVERVIEW

Market Segmentation

The segmentation of the PRC passenger automobile market is widely varied, with industry standards still in development. However, according to ACMR in consultation with us, the PRC passenger automobile market can be generally segmented into four categories of brands, based on, among other things, brand position, functionality and price range: (i) ultra premium, (ii) premium, (iii) middle market, and (iv) the low end brands. The following table sets forth the representative brands and the indicative price range of each segment.

Segment	Representative brands	Indicative price range (RMB)
Ultra premium	<ul style="list-style-type: none"> • Bentley • Ferrari • Porsche • Rolls-Royce 	Over 1 million
Premium	<ul style="list-style-type: none"> • Audi • BMW • Lexus • MINI • Mercedes-Benz • Volvo 	300,000 - 1 million
Middle market	<ul style="list-style-type: none"> • Buick • Chevrolet • Honda • Hyundai • Nissan • Toyota • Volkswagen 	80,000 - 300,000
Low end	<ul style="list-style-type: none"> • BYD • Chery • Geely • Hafei • Suzuki • Great Wall • Haima • JAC • Chang’an • Brilliance 	Less than 80,000

Source: ACMR

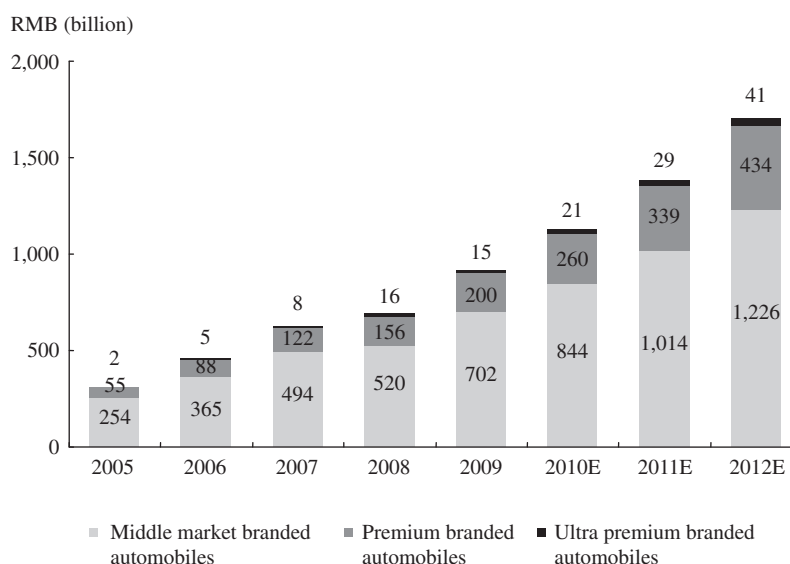
INDUSTRY OVERVIEW

Rapid Growth of Ultra Premium and Premium Segments

With the continued growth of middle and upper-middle classes as well as wealthy individuals, the development of the PRC automobile market is expected to be strongest for ultra premium and premium branded automobiles.

In 2009, approximately 4,909,000 middle market branded automobiles were sold, an increase from 1,980,000 in 2005, representing a CAGR of 25.5%. Sales of premium and ultra premium branded automobiles have experienced further growth, with approximately 363,000 premium branded automobiles and 10,000 ultra premium branded automobiles sold in 2009, an increase from 107,000 premium branded automobiles and 1,300 ultra premium branded automobiles in 2005, representing a CAGR of 35.7% and 66.5% respectively. Growth in sales volume is expected to continue to be strong, particularly for ultra premium and premium branded automobiles. Sales volume of ultra premium and premium branded automobiles is expected to reach 27,000 and 850,000 in 2012, representing a CAGR of 39.2% and 32.8% from 2009 respectively. In comparison, the CAGR of sales volume of middle market branded automobiles is expected to be 21.0%. Sales value of ultra premium and premium branded automobiles is expected to continue to grow in line with sales volume. Sales value of ultra premium and premium branded automobiles is forecasted to be RMB 41 billion and RMB 434 billion in 2012, representing a CAGR of 39.7% and 29.5% from 2009 respectively and sales value of middle market branded automobiles is expected to reach RMB 1,226 billion in 2012, representing a CAGR of 20.4% from 2009. Ultra premium and premium branded automobiles are expected to enjoy faster growth than other automobile brand segments.

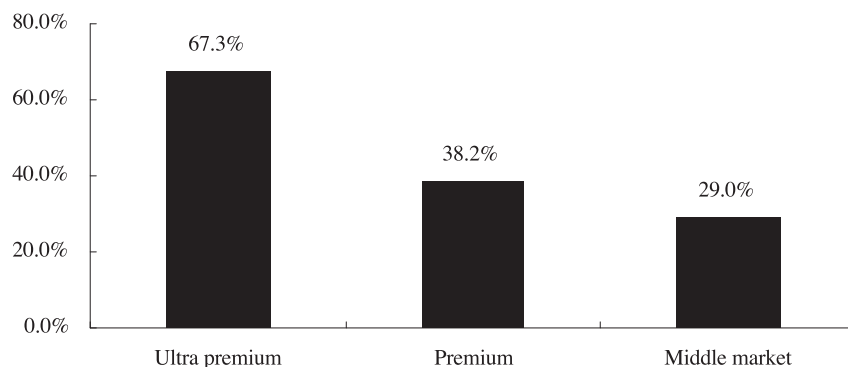
**Sales Value and Sales Value Forecasts of
Ultra Premium, Premium and Middle Market Branded Automobiles in the PRC**



Source: ACMR

INDUSTRY OVERVIEW

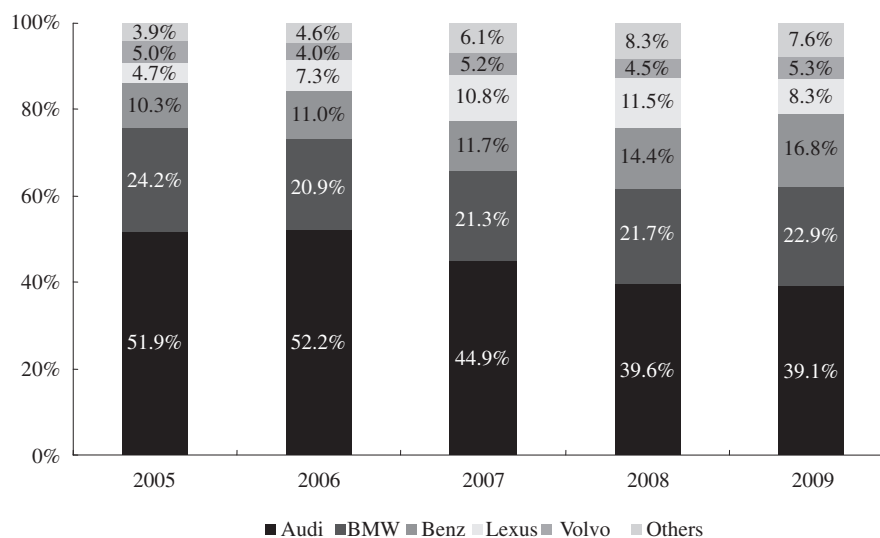
Sales Value by Automobile Segment CAGR in the PRC, 2005-2009



Concentration in Premium Brands Segment

The premium brand segment is characterized by the dominance of a few brands, with Audi and BMW together accounting for 62.0% of the total sales volume of premium automobile in 2009.

Premium Branded Automobile Sales Breakdown in the PRC*



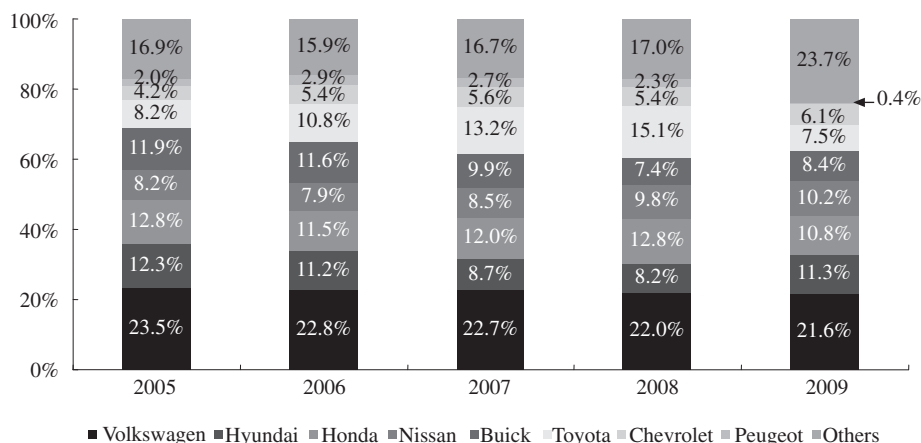
* Calculated by dividing the total annual premium branded automobile sales number by the licensing number of each selected premium automobile brands for that year

Source: ACMR

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In contrast, the middle market brand segment is comparatively more fragmented with the top 5 brands accounting for 62.3% of the total sales volume in 2009.

Middle Market Branded Automobile Sales Breakdown in the PRC*



* Calculated by dividing the total annual middle market branded automobile sales number by the licensing number of each selected premium automobile brands for that year

Source: ACMR

Lower price sensitivity for premium brands

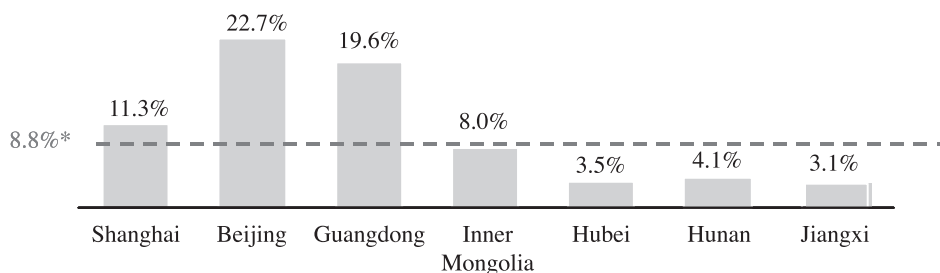
Purchasers of premium branded automobiles generally demonstrate less sensitivity to price compared to purchasers of other automobile segments, as reflected by the change in price indices of the respective segments. The selling price of premium branded automobiles shows less fluctuation compared to those of middle market and low end brands. Moreover, automobile manufacturers of premium branded automobiles are generally less willing to adjust the selling price of their premium branded models compared to other segments, especially in the time of economic downturn. According to ACMR, from 2005 to 2009, the price indices of premium branded automobiles decreased by 6.1%, as compared to 18.5% for middle market branded automobiles and 15.3% for low end branded automobiles respectively.

Regions where the Group operates

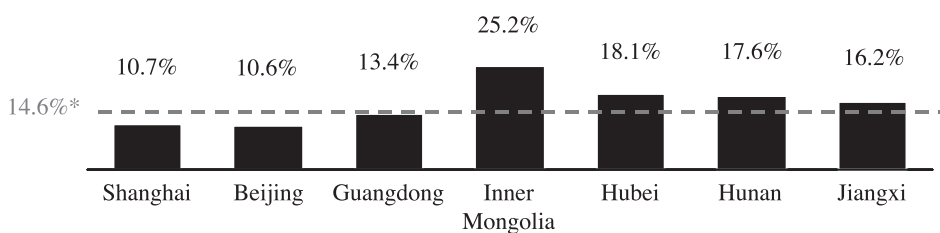
The PRC automobile market is geographically segmented and usually corresponds with the economic development and automobile penetration rate of the particular region. The Group operates dealership stores in seven regions: Beijing, Shanghai, Guangdong, Hunan, Hubei, Jiangxi and Inner Mongolia. Beijing, Shanghai and Guangdong are among the regions with the highest GDP level. Hunan, Hubei, Jiangxi and Inner Mongolia all have higher GDP per capita CAGRs than the national average from 2005 to 2009. These seven regions also have lower household automobile penetration rates, which presents the number of automobiles per 100 households, compared to the national average. The higher GDP per capita growth and lower household automobile penetration rates of these regions indicate significant growth potentials for premium and middle market branded automobiles.

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Household Automobile Penetration in the PRC (2008)



2005-2009 CAGR of Per Capita GDP in the PRC

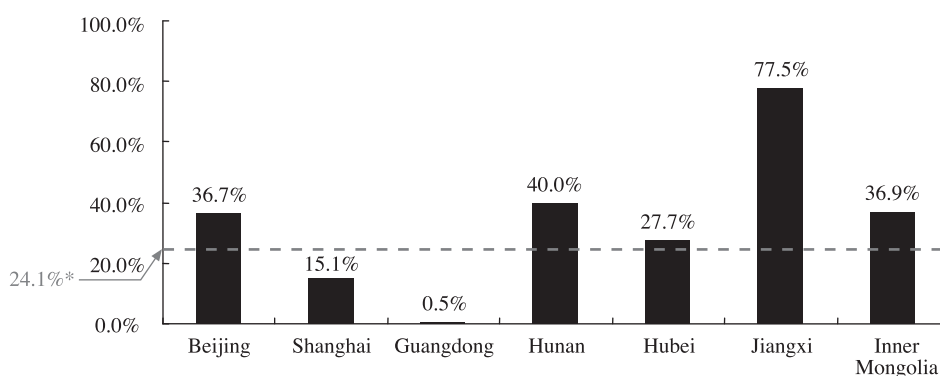


* National average

Source: National Bureau of Statistics of China

With the continuous economic development in these regions, the number of automobiles registered recorded strong year to year growth from 2008 to 2009. With the exception of Shanghai and Guangdong, the other five regions have experienced a higher growth rate than the national average of 24.1% in 2009.

Year-over-year Growth Rate of New Automobile Registrations in the PRC, 2009



* National average

Source: ACMR

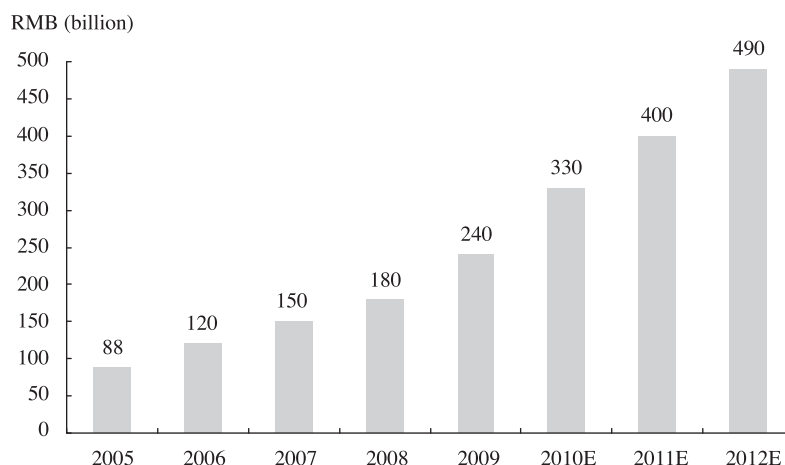
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After-sales Services

The expansion of private ownership of automobiles is expected to continue to drive the growth of the after-sales services market, which generally includes the sales of spare parts as well as maintenance and repair services. The after-sales services market has grown from approximately RMB 88 billion in sales in 2005 to RMB 240 billion in 2009, representing a CAGR of 28.5%.

The expansion of automobile ownership has generated significant new opportunities for after-sales services. Private owners, particularly owners of ultra premium, premium and middle market branded automobiles, generally place significant emphasis on service quality and the customization of their automobiles to suit personal preferences. Moreover, the gradual aging of automobiles also provides the after-sales services market with additional opportunities for expansion and development. By 2012, approximately 66% of automobiles in the PRC are expected to have been in service for more than three years, when the demand for after-sales services is typically the greatest, compared to less than 50% in 2008. As a result, the after-sales market is expected to grow from RMB 240 billion in sales in 2009 to RMB 490 billion in 2012, representing a CAGR of 26.9%.

Sales and Sales Forecasts of the Passenger Automobile After-sales Market in the PRC*



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

Source: ACFR

Retail Platform Dominated by 4S Dealership Stores

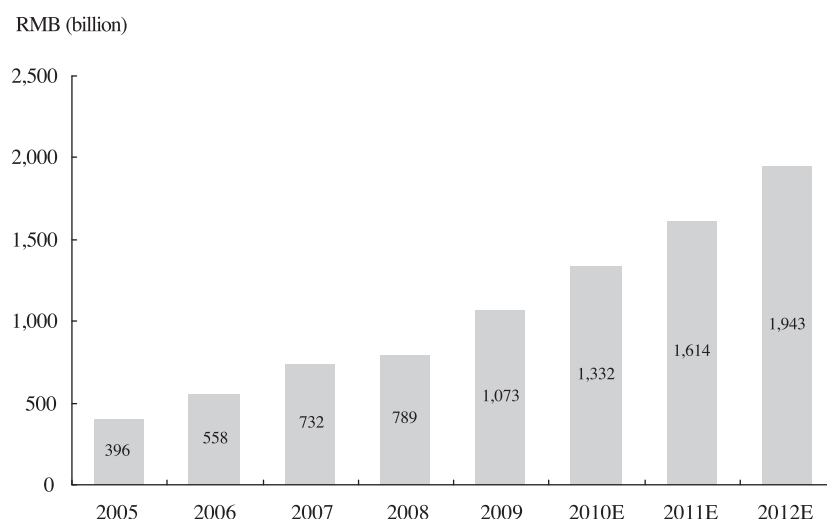
Since its introduction in the mid-1990s, the 4S dealership store has become the dominant platform for retailing automobiles in China. A “4S dealership store” is a specialized dealership store with sales, spare parts, services and survey capabilities and is typically established through one or

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more agreements between an automobile manufacturer and an automobile dealer that authorize the dealer to conduct marketing activities for specified automobile brands within a specified region. These agreements generally also set forth requirements with respect to sales and marketing formats, service standards, sales processes and corporate identities.

The dominance of the 4S dealership store as a retail platform was strengthened by the Measures for the Implementation of the Administration of Branded Automobile Sales 《汽車品牌銷售管理實施辦法》 (“Measures”) promulgated by MOFCOM in February 2005. The Measures stipulate that all automobile dealers must obtain permission from an automobile manufacturer before retailing the brands of the automobile manufacturer. As a result of the Measures, other types of automobile sales platforms including automobile trading markets and automobile supermarkets, began to diminish in importance. From 2005 to 2009, total sales of new automobiles through 4S dealership stores grew from approximately RMB 396 billion to RMB 1,073 billion, representing a CAGR of 28.3%, and the proportion of new automobiles sold through 4S dealership stores grew from 90% to 99%. Total sales of new automobiles sold through 4S dealership stores is expected to grow from approximately RMB 1,073 billion in 2009 to RMB 1,943 billion in 2012, representing a CAGR of 21.9%.

New Passenger Automobiles Sold Through 4S Dealership Stores in the PRC



Source: ACMR

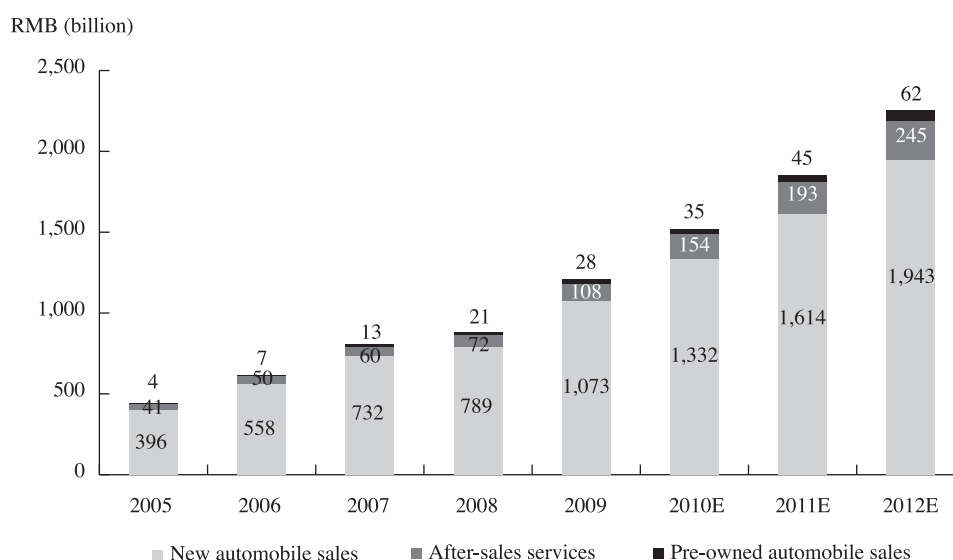
While ownership of automobile dealership stores remain fragmented, dealership groups operating multiple dealership stores for multiple automobile brands are beginning to emerge in China. By leveraging their economies of scale, strong relationships with automobile manufacturers, expertise and proven track record, dealership groups can out-compete standalone dealership stores, as well as capitalize on opportunities such as expansions into developing regions or the development of complementary business lines. As a result, the automobile market has become increasingly consolidated, with the top 10 automobile dealership groups accounting for approximately 17.1% of total sales in 2009, compared to 15.1% in 2008. In 2009, the top 10 dealership stores had estimated sales ranging from RMB 10.3 billion, or 1.0% of total sales, to RMB 35.5 billion, or 3.3% of total sales.

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Income mix of 4S dealership stores

The income of a 4S dealership store is primarily from (i) sales of new automobiles, (ii) after-sales services and (iii) sales of pre-owned automobiles, which accounted for 88.8%, 8.9% and 2.3% of the income of 4S dealership stores in 2009 respectively. According to ACMR, as the growth rates of both the after-sales market and pre-owned automobile market are expected to exceed the growth of the new automobile market, the share of income from sales of new automobiles is expected to decrease to 86.4% in 2012, with after-sales services and sales of pre-owned automobiles expected to account for 10.9% and 2.8% of the total income respectively. At present, the gross margins of after-sales services and the sales of pre-owned automobiles are higher than the gross margin of sales of new automobiles. The gross margin for the sale of new automobile ranges from 2%-10% (depending on the brands), 40%-50% for after-sales services and 5%-10% for sales of pre-owned automobiles respectively.

Income Mix of 4S Dealership Stores in the PRC



Source: ACMR

Features of ultra premium and premium brands 4S dealership stores

Ultra premium and premium brands 4S dealership stores differ from middle market brands dealership stores across several key characteristics.

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The chart below sets forth the number of brands sold, number of dealership stores in China, and the average number of dealership stores per brand in 2009.

Segment	No. of brands sold in 2009	No. of dealerships stores in China (As at 31 December 2009)	Average no. of dealerships stores per brand
Ultra premium	11	82	7
Premium	12	826	69
Middle market	26	6,454	248

Source: ACMR

Higher entry barriers

To successfully operate a premium brands dealership store, a dealer must generally meet more stringent requirements than those for a middle market or lower end brands dealership store. Sales of premium branded automobiles require the dealer to be able to provide personalized customer services and invest in showrooms that highlight the features of premium branded automobiles and offer amenities to customers. In addition, dealers must also establish reputation and track record of success, due to the greater risk of reputational harm to the automobile manufacturer if a dealership store fails to perform to the standards of the brand. As a result, the ownership of premium brands dealerships stores is generally less fragmented, with fewer dealership groups operating a greater proportion of the premium brands dealership stores in China and generating a greater proportion of sales.

Lower dealership density

Premium branded automobiles usually require fewer 4S dealership stores than middle market branded automobiles, as the target customers of premium branded automobiles are relatively more concentrated and fewer in number compared to those of the middle market branded automobiles. Automobile manufacturers generally require larger geographic territories for premium brands dealership stores, as they depend on a fewer number of larger dealership stores, rather than a larger number of smaller dealership stores. This assists in maintaining the aura of exclusivity of their brands and ensures that premium brands dealership stores have sufficient exhibition space to adequately showcase premium branded automobiles.

Greater customer loyalty

Customers of premium brands dealership stores typically display greater loyalty to their brands and dealerships. According to a survey conducted by ACMR with 645 respondents, of which 613 are owners of ultra premium, premium, or middle market branded automobiles (the “Survey”), over 80% of the owners of the ultra premium, premium and middle market branded automobiles will recommend their 4S dealership stores to others, mainly due to the quality of sales and after-sales products and services provided by the 4S dealership stores. In addition, 60% of the owners of premium branded automobiles responded that they will use the 4S dealership store where they purchased their

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automobile for after-sales services, whether or not covered by the automobile manufacturer’s warranty, as compared to 53% for the owners of middle market branded automobiles. Automobile owners tend to stay with their brand and 4S dealership store for after-sales services with the increase in brands.

Increased marketing support

Due to the greater importance of branding for premium branded automobiles, automobile manufacturers generally provide greater marketing support for premium brands than for middle market brands. In addition, automobile manufacturers also provide other forms of support, such as orientations for sales personnel and training for automotive engineers and technicians, to ensure a high level of customer services at each premium brands dealership store.

Industry trends for middle market and premium brands dealership stores

Sales of middle market branded automobiles is expected to account for over 63.3% of the total automobiles sales in the PRC in 2010, an increase of 20.2% in terms of sales value but a slight decrease of 1.4% in terms of market share as compared to 2009. On the other hand, recent years have seen rapid sales growth of premium branded automobiles, the strongest of the three main segments in China’s automobile market. Sales of ultra premium and premium branded automobiles are expected to reach RMB 41 billion and RMB 434 billion in 2012, representing a CAGR of 39.7% and 29.5% from 2009 respectively. Sales of middle market branded automobiles is expected to continue to grow and reach RMB 1,226 billion in 2012, representing a CAGR of 20.4% from 2009.

Increasing consolidation

According to ACMR, the middle market brands dealership market is fragmented, particularly in third and fourth-tier cities of China in which certain dealers may operate only one store. As a result of the increasing market competition, smaller dealers operating in this segment will more likely be acquired by larger dealership groups with stronger financial means.

The increasing consolidation of ownership of 4S dealership stores in China is expected to be even more pronounced for premium brands dealership stores, as automobile manufacturers seek to leverage the experience and expertise of proven dealership groups to assist them in capturing market shares in the fast-growing premium brands segment in China.

Increasing competition

Competition between operators of middle market brands dealership stores is expected to increase due to the relatively low barriers of entry in this market. Middle market brands dealers will seek to engage in price competition in order to maintain sales volume of new automobiles and gain new customers.

In contrast, operators of premium brands dealership stores may seek to expand their sales volume and gain new customers by expanding into new markets, particularly the developing regions of China. The rapid development of GDP and disposable income in the developing regions of China, coupled with the expansion of China’s highway network, is expected to drive demand for premium branded automobiles in cities with fast growing GDP and disposable income, such as Baotou, Hohhot and Changsha.

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Growth in demand for after-sales services

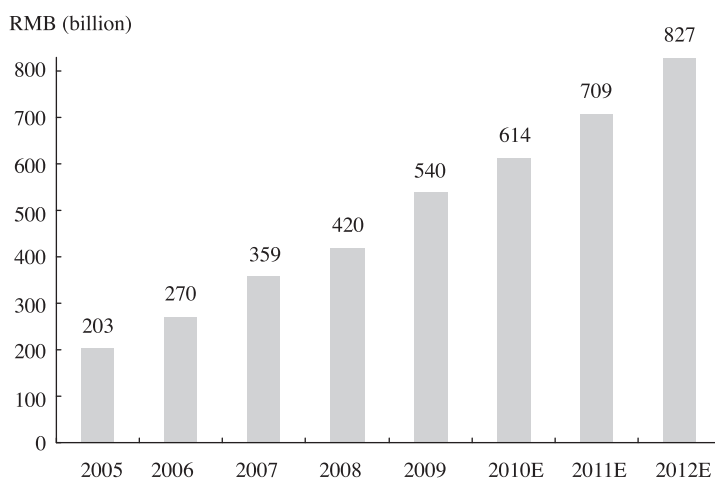
The rapid growth of sales of premium branded automobiles is expected to generate growth for after-sales services for the maintenance and repair of their automobiles. Moreover, owners of premium branded automobile are more likely to utilize 4S dealership stores for maintenance and repairs, compared to owners of middle market branded automobiles. According to the Survey, over 77% of the owners of premium branded automobiles will utilize 4S dealership stores for maintenance and repairs, whether or not covered by the automobile manufacturer’s warranty as compared to 60% for the owners of middle market branded automobiles.

PRC AUTOMOTIVE LOGISTICS SERVICES MARKET

China’s automotive logistics services industry is at an early stage of development. Many logistics services providers have limited capacity to plan, organize and manage the large networks of vehicles and facilities necessary to fully support automobile manufacturers. As a result, automobile manufacturers in China generally do not have integrated logistics services providers in their supply chains. Despite its early stage of development, the PRC automotive logistics services market has experienced robust growth as a result of the growth of the automobile manufacturing industry in China. Turnover from logistics services has increased from RMB 203 billion in 2005 to RMB 540 billion in 2009, representing a CAGR of 27.7%.

As the automobile manufacturing industry in China matures, demand for logistics services is expected to continue to increase. To maintain competitiveness, automobile manufacturers are increasingly relying on logistics services providers as an integral link in their supply chains. Turnover from logistics services is expected to increase from RMB 540 billion in 2009 to RMB 827 billion in 2012, representing a CAGR of 15.3%. Logistics services providers who have established expertise and a proven track record in providing sophisticated logistics services are expected to be well positioned to capture a growing share of a growing industry.

Sales and Sales Forecasts of the Automotive⁽¹⁾ Logistics Services Industry in the PRC



⁽¹⁾ Includes both passenger and commercial automobiles

Source: *ACMR*

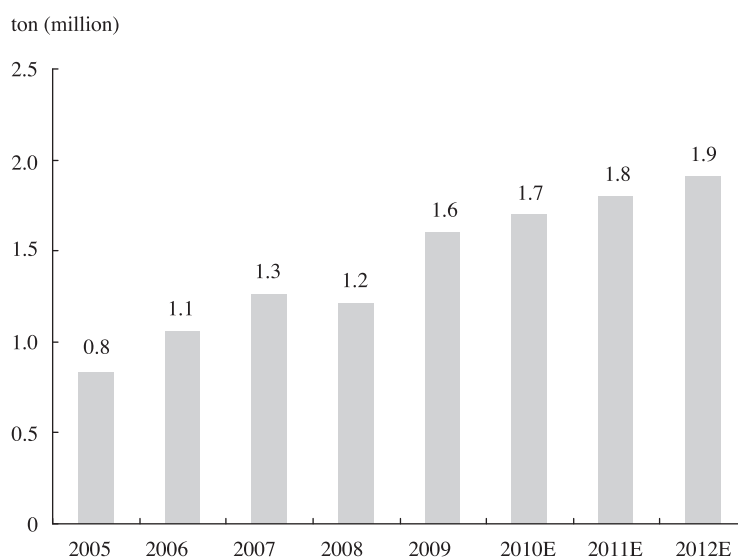
INDUSTRY OVERVIEW

PRC PASSENGER AUTOMOBILE LUBRICANT OIL MARKET

Since 2003, China has been the world’s second largest consumer of passenger automobile lubricant oil after the United States. Growth in the lubricant oil market in China has been driven by the development of the automobile industry generally. From 2005 to 2009, the consumption of passenger automobile lubricant oil increased from 0.8 million tons to 1.6 million tons, representing a CAGR of 17.8%.

The lubricant oil production sector is fragmented in China, with over 3,000 manufacturers, most of which provide unbranded, low quality lubricant oil at low margins. In 2009, branded, high-quality lubricant oil accounted for approximately 80% of the profits in the PRC automobile lubricant oil market. The automobile lubricant oil market is expected to maintain its growth, from 1.6 million tons in 2009 to 1.9 million tons in 2012, representing a CAGR of 6.1%. With the growing affluence of the PRC population and growing numbers of middle market and premium branded automobiles, demand for, and profits from, branded, high-quality passenger automobile lubricant oil is expected to remain robust.

Passenger Automobile Lubricant Oil Consumption in the PRC



Source: ACMR

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OVERVIEW

Our operations are mainly carried out by our subsidiaries in the PRC, which are subject to PRC laws, rules and regulations. A summary of the laws, rules and regulations applicable to our business is set out below.

REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

The PRC automobile industry

On 20 March 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”), which clarified the areas of development of the automobile industry and included policy measures across multiple aspects of the automobile industry. On 15 August 2009, NDRC promulgated the Policy on Automotive Industry Development (汽車產業發展政策) (the “Policy”), which became effective on 1 September 2009. The Policy contains provisions relating to, among 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. One of the Policy’s stated aims is to develop the PRC automobile industry into a strong pillar of the PRC national economy before 2010.

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) was promulgated by NDRC on 9 October 2004, which applies to the verification of Sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises, 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, or projects with total investment below US\$50 million that are within the restricted category of foreign investment must be 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 6 April 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. Our PRC Legal Advisors have advised us that we are not subject to these regulations due to our corporate structure.

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New automobile sales

Sales new automobile sales are subject to the Measures promulgated by MOFCOM, NDRC and SAIC on 21 February 2005 which became effective on 1 April 2005.

The Measures recognize two categories of automobile distributors: (i) general automobile distributors and (ii) automobile brands dealers. General automobile distributors are defined under the Measures as enterprises engaged in providing automobiles and spare parts. Automobile brands dealers are defined under the Measures as enterprises authorized by automobile suppliers to engage in automobile sales and services. Our PRC Legal Advisors have confirmed that under the Measures, our Group is classified as an automobile brands dealer.

An automobile brands dealer must be a legal person, authorized by an automobile supplier to sell the supplier’s brand of automobiles. An automobile brands 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.

Automobile brands dealers must file registrations with the relevant local department of MOFCOM. Further, automobile brands dealers must also file registrations with SAIC prior to commencing business operations. Registrations with SAIC have been filed for 21 of our 22 dealership stores in operation as of the Latest Practicable Date. Registration with SAIC for one of our dealership stores in operation has not been filed as of the Latest Practicable Date as the relevant automobile manufacturer that is responsible for making such filing with the SAIC has not made such filing. Our PRC Legal Advisors have advised us that the failure of the automobile manufacturer to file such registration with SAIC will not affect the validity of the aforesaid dealership store’s dealership authorization agreement or its business license. We have requested the automobile manufacturer to file the registration with the SAIC for our dealership and expect such filing to be made prior to 31 December 2010, although the making of such filing by the automobile manufacturer is not within our control. MOFCOM or its local counterparts has not requested us to file any registrations with respect to our dealership stores. Our PRC Legal Advisors have advised us that the failure to file such registrations with MOFCOM will not affect the validity of our dealership stores’ dealership authorization agreements or their business license.

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 Transport on 24 June 2005 which became effective on 1 August 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.

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According to Automobile Repair Regulations, it will take 25 days to obtain the approval from relevant authority for the Road Transport License and the subsequent renewal from the date that all required documents have been submitted. However, in practice, the time involved in obtaining approval may be longer and may exceed three months. According to our past experience, the time required for renewing Road Transport License varies depending on the location of the subsidiaries as well as the location of the local bureaus involved. Our 22 dealership stores in operation as of the Latest Practicable Date have all obtained a Road Transport License.

Project Initiation Approvals

“The 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 Transport Services (外商投資道路運輸業管理規定) (the “Foreign-invested Road Transport Services Regulations”) was promulgated by the Ministry of Transport and MOFCOM on 20 November 2001 and became effective on 20 November 2001. According to its Article 5, a foreign invested road transport services enterprise must comply with the policies on road transport 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 transport services formulated by the department in charge for transportation of the place where the foreign-funded road transport enterprise is to be established. In addition, all investors must invest with their self-owned assets and have good reputation.

Under the Foreign-invested Road Transport Services Regulations (外商投資運輸管理規例), all the application documents received by the local transport bureaus should be forwarded to the Ministry of Transport, which is the ultimate authority for granting of Project Initiation Approvals, and a Project Initiation Approval should be granted by the Ministry of Transport prior to the issuance of a Road Transport License by the relevant local transport bureau. Under existing applicable PRC laws, rules and regulations, the establishment of a foreign-invested operator must be approved by the provincial counterpart 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 Transport for a Road Transport License for its automobile maintenance and repair business, prior to commencing business. Our subsidiary Wuhan Jietong is currently in the process of applying for the Project Initiation Approval and submitted an application for such approval in September 2010.

After-sales services

Under the “Road Transport Regulations” (中華人民共和國道路運輸條例) promulgated by the State Council on 30 April 2004 which became effective on 1 July 2004, prior to commencing an automobile maintenance and repair business, an operator must file an application with the local department of the Ministry of Transport and obtain a Road Transport License in order to provide automobile maintenance and repair services or operate a automobile leasing business. Violation of the Road Transport 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

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a term which may extend to five years, criminal detention, and/or fines of between one and five times the amount of the illegal gains. To successfully renew the Road Transport 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.

As at the Latest Practicable Date, all of our 22 dealership stores in operation have obtained a Road Transport License.

Automobile insurance

We earn commissions 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 4 August 2000, which became effective on 4 August 2000.

The Insurance Regulations require, among other things, a business which facilitates insurance coverage in direct relation to its main business to apply for a license from CIRC, and to obtain power of attorney documentation, subject to CIRC’s supervision, from the insurance agencies. Under the Insurance Regulations, each business may work with only one insurance agency.

Automobile loans

We obtain financing from banks and financial institutions for our operations, including for the purchase of new automobiles to retail 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 the People’s Bank of China (“PBOC”) and the China Banking Regulatory Commission (“CBRC”) on 16 August 2004 which became effective on 1 October 2004.

The Loans Measures provide that an automobile dealer may not obtain financing of a term exceeding one year for the purchase of automobiles and/or spare parts. The automobile dealer’s balance sheet ratio, or the asset liability ratio, which equals to its indebtedness divided by 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. As of the Latest Practicable Date, we had not obtained financing for a term exceeding one year for the purchase of automobiles and/or spare parts and the asset liability ratio of our dealership stores had not exceeded 80%.

In addition, an automobile dealer handling a loan application on behalf of its customers must be a legal person with a 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, and instead, refer their customers to banks to apply for loans directly.

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REGULATIONS RELATING TO THE PRC LOGISTICS SERVICES INDUSTRY

According to the “Notice related to the Establishment of Foreign Investment Logistics Enterprises” (the “Logistics Notice”) (關於開展試點設立外商投資物流企業工作有關問題的通知) promulgated by Ministry of Foreign Trade and Economic Cooperation on 20 June 2002, foreign investors are permitted to conduct logistics businesses through equity or cooperative joint ventures.

Foreign-invested logistics enterprises may be approved to conduct part or all of the following types of logistics activities:

- international distribution services: importing and exporting and related services, including the importing and exporting cargo for the enterprise itself or as an agent; processing the importing and exporting of cargo as an agent; and providing international sea, air and land freight forwarding services; and
- third-party logistics services: transportation, storage, loading and unloading, packing, and distribution of common road-based freight; relevant information processing and consulting services; domestic freight agency; and management and operation of logistics business by means of computer network.

Foreign-invested logistics enterprises engaged in providing road transportation for general cargo services and computer network management and operations are subject to approval by relevant departments according to the applicable laws and regulations approved.

According to the “Notice Related to Work on Attract Foreign Investment in Logistics Industry (關於做好物流領域吸引外資工作的通知) promulgated by the Ministry of Commerce on 20 April 2006, foreign investors are permitted to establish foreign-invested logistics enterprises nationally, through equity or cooperative joint ventures or wholly-owned enterprises. Foreign-invested logistics enterprises that have obtained approval in accordance with the Logistics Notice may conduct some or all of the business set forth above, and are not subject to certain minimum registered capital requirements. However, their operations are required to comply with other relevant laws and regulations, such as the Regulations on the Administration of Foreign-invested Road Transport Service (外商投資道路運輸業管理規定).

On 31 October 2007, the NDRC and the Ministry of Commerce promulgated the “Amended Catalog for the Guidance of Foreign Investment Industries” (the “Guidance”) which became effective from on 1 December 2007, pursuant to which logistics services enterprises are categorized as “Encouraged Foreign Investment” enterprises.

On 10 September 2009, the State Council issued the “Logistics Industry Restructuring and Revitalization Plan”(物流業調整和振興規劃) (the “Logistics Plan”). The Logistics Plan sets forth policy measures relating to the logistics services industry, including the elimination of trade monopolies and regional barriers, the acceleration of the development of private logistics services enterprises and the promotion of international cooperation in logistics services industry.

REGULATORY OVERVIEW

COMPANY LAW

The incorporation and operations of our subsidiaries in China is governed by the “Company Law” (中華人民共和國公司法) which was promulgated by the Standing Committee of the National People’s Congress on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005.

The Company Law recognizes two general types of companies, 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.

The Company Law also applies to foreign-invested limited liability companies.

MERGERS AND ACQUISITIONS

The “Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (“M&A Rules”) promulgated by MOFCOM, CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, SAIC and SAFE on 8 August 2006 which became effective on 8 September 2006, govern, among other things, the purchase by foreign investors of equity interests in a domestic enterprise, the subscription by foreign investors to 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 off shore special purpose vehicle (“SPV”) formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain CSRC approval prior to the [●] of the SPV’s securities on an overseas stock exchange. On 21 September 2006, the CSRC published procedures specifying documents and materials to be submitted by SPVs seeking CSRC approval of overseas [●].

Our PRC Legal Advisors, confirmed their opinion that the [●] of our Company on [●] does not require CSRC approval, as there has been no acquisition after the date the M&A Rules came into effect.

PROPERTY LAW

The properties which we lease and own in the PRC are subject to the “Property Law” (中華人民共和國物權法), promulgated by the Standing Committee of the National People’s Congress on 16 March 2007 and became effective on 1 October 2007. Under the Property Law, any creation, modification, transfer or termination of property rights shall become effective upon registration with the relevant government authorities. All lawful property of the State, collectives, and individuals are protected by law against embezzlement and encroachment. 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.

REGULATORY OVERVIEW

The “Administration of the Leasing of Urban Premises Procedures” (城市房屋租賃管理辦法) (the “Leasing Procedures”), promulgated by the Ministry of Construction on 9 May 1995, which became effective on 1 June 1995, provide that premises without title certificates may not be leased. Further, under the “Urban Real Estate Administration Law” (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994 which became effective on 1 January 1995 and as amended on 30 August 2007, a lease must be filed with the real estate administrative department of the Ministry of Construction. Although the 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 real estate administrative department of the Ministry of Construction for such omission, under the Leasing Procedures.

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

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 12 April 1986 which became effective on 12 April 1986, and as amended on 31 October 2000, governs the establishment, operation and management of foreign-owned enterprises.

SINO-FOREIGN JOINT VENTURES

The “Law on Sino-Foreign Equity Joint Ventures” (中國中外合資經營企業法), promulgated by the National People’s Congress on 8 July 1979 which became effective on 8 July 1979 and as amended on 4 April 1990 and 15 March 2001, governs the establishment procedures verification and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labor matters of a Sino-foreign joint equity venture.

FOREIGN INVESTMENT IN RESTRICTED INDUSTRIES

Pursuant to applicable PRC laws, rules and regulations, a foreign-invested enterprise operating in restricted industries shall be subject to NDRC and MOFCOM approval.

Prior to 2001, automobile distribution in China was subject to the 30 Dealerships Limitation. During China’s accession to the World Trade Organization in 2001, China made a commitment to abolish the 30 Dealerships Limitation within five years of its accession (1). Accordingly, each of the 2004 Edition of the Catalogue, the Measures for the Implementation of the Administration of Branded Automobile Sales(汽車品牌銷售管理實施辦法),and the Measures for the Administration on Foreign Investment in Commercial Sector (外商投資商業領域管理辦法), provides that the 30 Dealerships Limitation would terminate on 11 December 2006. However, the 2007 Edition of the Catalogue included the 30 Dealerships Limitation.

REGULATORY OVERVIEW

FOREIGN EXCHANGE CONTROLS

The “Foreign Exchange Management Regulations” (外匯管理條例) promulgated by the State Council on 29 January 1996 as amended and became effective on 1 August 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 20 June 1996 which became effective on 1 July 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 5 January 2007 which became effective on 1 February 2007, requires PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to register with SAFE or a local SAFE department.

The SAFE Circular promulgated by SAFE on 21 October 2005 which became effective on 1 November 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 change 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.

SAFE Circular applies to Mr. Wang Muqing (王木清), who is a resident in the PRC, and is the indirect shareholder of Wuhan Jietong via several foreign holding companies. On 26 July 2010, Mr. Wang Muqing (王木清) obtained the approved “domestic resident individual overseas investment foreign exchange registration form” issued by the State Administration of Foreign Exchange Hubei Branch. Mr. Wang Muqing (王木清) is in the process of making relevant filings to complete the procedures required under the SAFE Circular in connection with this [●].

FOREIGN EXCHANGE RATE

On 21 July 2005, the PBOC changed the fixed RMB-US\$ exchange system to a floating exchange system based on market supply and demand. The closing price of foreign currencies, including the U.S. dollar, is announced by PBOC in the inter-bank foreign exchange market after the closing of the market on each working day and is the central parity for trading against RMB on the following working day. The daily trading price of the U.S. dollar against the Renminbi in the inter-bank foreign exchange market has been allowed to float within a band of 0.5% around the central parity published

REGULATORY OVERVIEW

by PBOC since 21 May 2007, whilst the trading prices of non-U.S. dollar currencies against the Renminbi has been allowed to float within a band of 3.0% around the central parity published by PBOC since 23 September 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” (中國外資企業法), promulgated by the National People’s Congress on 12 April 1986 which became effective on 12 April 1986 and as amended on 31 October 2001, and the Law on Sino-foreign Equity Joint Ventures (中國中外合資經營企業法) promulgated by the Standing Committee of the National People’s Congress on 8 July 1979 which became effective on 8 July 1979 and as amended on 4 April 1990 and 15 March 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 26 December 1989 by the Standing Committee of the National People’s Congress which became effective on 26 December 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 29 April 2000 by the Standing Committee of the National People’s Congress which became effective on 1 September 2000, establishes the legal framework for air pollution prevention in the PRC. The environmental protection

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department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus are authorized to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for infringement.

Water pollution

The “Water Pollution Prevention Law” (水污染防治法) promulgated on 11 May 1984 by the Standing Committee of the National People’s Congress which became effective on 1 November 1984 and amended on 15 March 1996 and 28 February 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 are authorized to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for infringement, 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 29 October 1996 which became effective on 1 March 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, 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 left idle without the approval of the environmental protection department of the State Council.

Construction projects

The “Environmental Impact Appraisal Law” (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People’s Congress on 28 October 2002 which became effective on 1 September 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 29 November 1998 which became effective on 29 November 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 27 December 2001 which became effective on 1 February 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.

REGULATORY OVERVIEW

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 12 March 2004 which became effective on 1 October 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.

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 22 February 1993 and as amended on 8 July 2000.

Pursuant to the Product Quality Law, a seller is obliged to, among other things, adopt measures to keep products for sale in good quality, not sell defective or damaged products, comply with regulations regarding the labeling of products, not forge the origin of a product, not forge or falsely use another manufacturer’s authentication marks, not 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.

CONSUMER PROTECTION

The “Consumer Protection Law” (消費者權益保護法) promulgated on 31 October 1993 by the Standing Committee of the National People’s Congress which became effective on 1 January 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 protection of property, provide consumers with truthful information and advertising in relation to goods and services, 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, 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

REGULATORY OVERVIEW

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 provides that businesses must be responsible for the repair, replacement or return of goods if such goods are guaranteed by PRC laws or pursuant to 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 at 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 2 September 1993 which became effective on 1 December 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-trust Law” (反壟斷法), promulgated by the Standing Committee of the National People’s Congress on 30 August 2007 which became effective on 1 August 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 to make determinations of 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 and/or the Anti-trust Law may result in the imposition of fines, revocation of business licenses and criminal liability.

REGULATORY OVERVIEW

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 23 August 1982 which became effective on 1 March 1983 and amended on 22 February 1993 and 27 October 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 the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, 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.

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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 17 April 2003 which became effective on 1 June 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.

Copyright

The “Copyright Law” (著作權法) was promulgated by the National People’s Congress on 7 September 1990 and amended on 27 October 2001 and on 26 February 2010. The “Implementation Rules of the Copyright Law (2002 Edition)” was promulgated by the State Council on 2 August 2002 and became effective on 15 September 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, and 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” (計算器軟件保護條例) promulgated on 20 December 2001 by the State Council which became effective on 1 January 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 the Chinese Internet (中國互聯網絡域名管理辦法)” (Domain Name Measures) were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 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)” (中國互聯網絡信息中心域名爭議解決辦法(2006年修訂)) (“Domain Name Dispute Resolution Measures”) (2006 Edition) were promulgated by the Chinese Internet Network Infrastructure Center on 14 February 2006 and became effective on 17 March 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 29 June 2007 which became effective on 1 January 2008, governs the relationships between employers and employees and makes 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 entry into fixed-term employment contracts, hiring of temporary employees and dismissal of

REGULATORY OVERVIEW

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 22 January 1999 which became effective on 22 January 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 3 April 1999 which became effective on 3 April 1999 and as amended on 24 March 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 accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

As of the Latest Practicable Date, all of our subsidiaries have opened the requisite housing provident fund accounts. As of the Latest Practicable Date, we had not fully repaid all of the outstanding housing provident fund contributions but we have made, as of 30 June 2010, a provision of RMB 2.4 million in respect of the overdue housing provident fund contributions for the Track Record Period. Our Directors are of the view that we have made adequate provision for our outstanding housing provident fund contributions. We will repay all outstanding housing provident fund contributions as and when requested by the housing provident fund management centre.

OUR HISTORY AND REORGANISATION

OUR CORPORATE HISTORY

Our history can be traced back to 1999 when we opened our first dealership store in Shanghai, which primarily sells Nissan automobiles. Since 1999, we have rapidly expanded our automobile dealership business. In 2004, we commenced the winding down of our commercial vehicles sales business to sharpen our business focus on our automobile dealership business. We have successfully expanded our automobile dealership business to 14 cities in both the large, established automobile markets of the affluent regions of China, such as Beijing, Shanghai, Guangzhou, Dongguan and Zhuhai as well as the rapidly developing regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population, such as Inner Mongolia, Hunan, Hubei and Jiangxi. As of 30 June 2010, we operated 22 dealership stores, and in addition have entered into letters of intent for one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, which are expected to commence operations by the end of 2010.

To further strengthen our relationships with automobile manufacturers and complement our automobile dealership business, we established our automobile logistics business in 2002. Leveraging the existing network of our automobile dealership and logistics businesses, we also established our lubricant oil trading business in 2008, to capture the growing demand of the automobile market and provide better services to our customers at our 4S dealership stores. In addition, our Group has received from certain automobile manufacturers notices of approval as pre-qualified candidates (or, as the case may be, our Group entered into letters of intent with such automobile manufacturers) to set up nine 4S dealership stores at selected cities to service particular areas or regions. Under such notices or letters of intent, we have to carry out certain major steps, before formal dealership authorization agreements will be made by such automobile manufacturers with our Group. Steps have been taken by our Group to establish the relevant operating entities and the dealership stores.

OUR BUSINESS MILESTONES

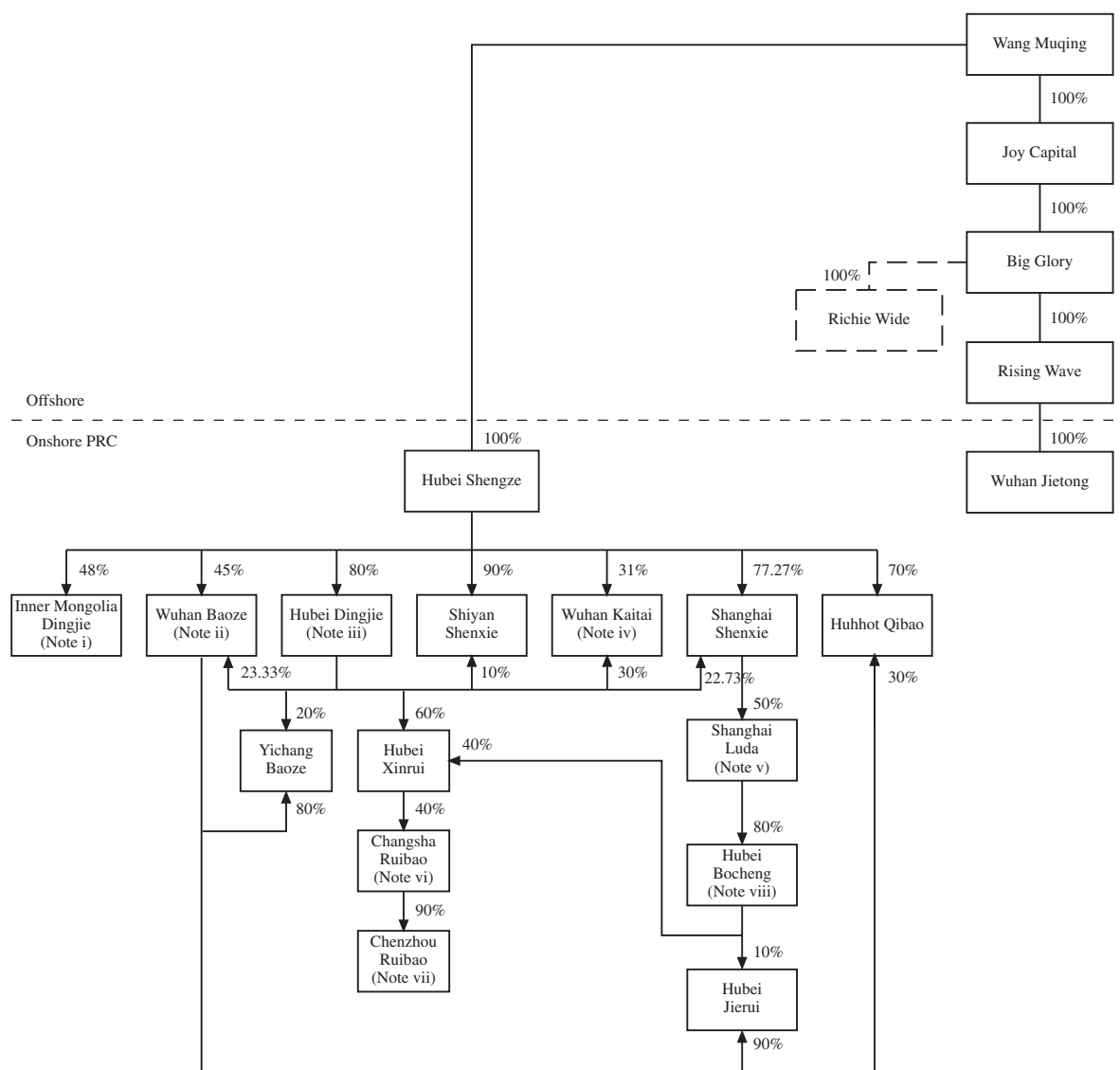
The following are important milestones in the history of our business development to date:

Year	Milestone
1999	• Established our first dealership store, which was also our first Nissan dealership and our first dealership store in Shanghai
2001	• Established the Operation and Management Committee, which promoted and initiated our Group’s management by a professional managerial team
2002	• Established our first Audi dealership store and our first dealership store in Hubei province
	• Commenced operation of our logistics services business
2003	• Established our first dealership store (Dongfeng Nissan dealership store) in Inner Mongolia
2004	• Established our first BMW dealership store (Wuhan)
	• Established our first Hyundai dealership store (Wuhan)
2005	• Established our first Chevrolet dealership store (Wuhan)
	• Established our first dealership store in Hunan Province (BMW/MINI dealership store)
2008	• Established our first dealership store in Guangdong province (BMW/MINI dealership store)
	• Established our first dealership store BMW in Jiangxi Province
	• Commenced operation of our lubricant oil trading business
2009	• Established our first dealership store in Beijing (BMW dealership store)
	• Established our first Porsche dealership store in Dongguan

OUR HISTORY AND REORGANISATION

SHAREHOLDING AND CORPORATE CHANGES OF OUR GROUP DURING THE TRACK RECORD PERIOD

Our Group was under the ownership of Mr. Wang Muqing throughout the entire Track Record Period. The following depicts the shareholding structure of our Group as at 1 January 2007, being the beginning date of the Track Record Period:



Note:

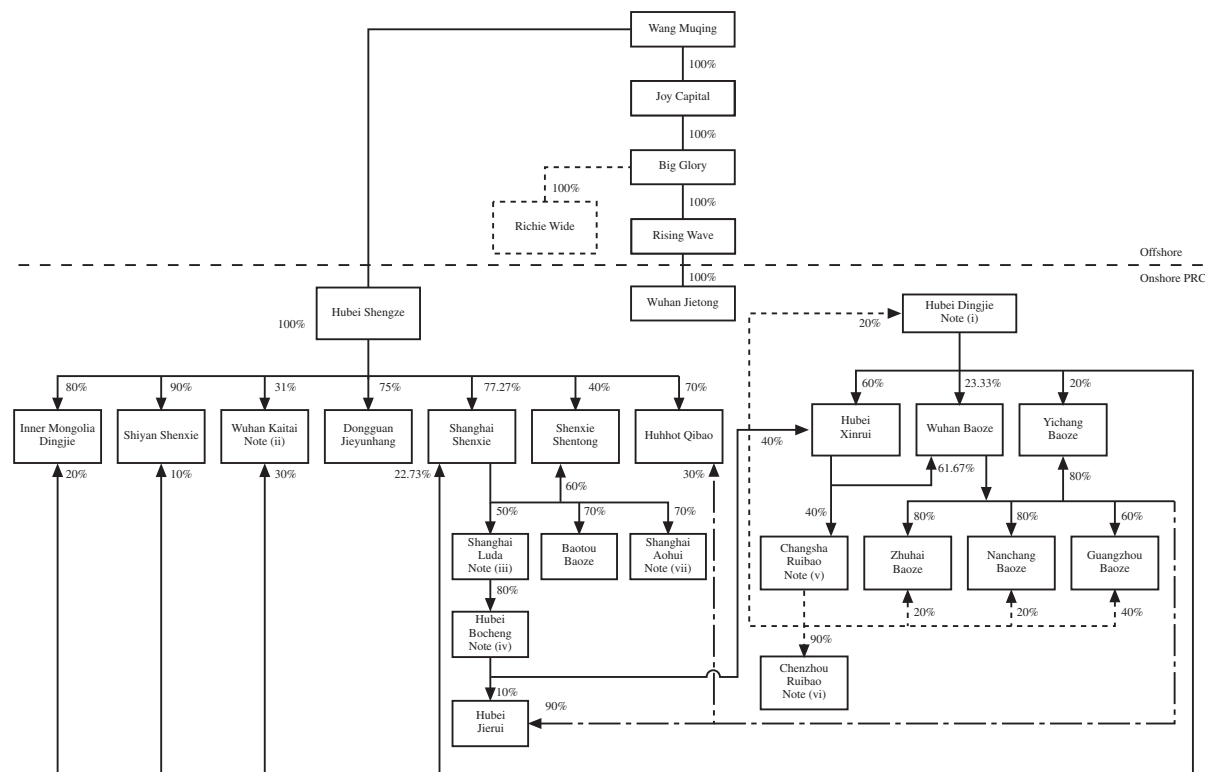
- (i) as to the remaining 52% equity interest, 20% was then held by Wuhan Xinboheng and as to 32% by Inner Mongolia Huadun, both of which were then companies controlled by Hubei Shengze.

OUR HISTORY AND REORGANISATION

- (ii) as to the remaining 31.67% equity interest, 15% was then held by Wuhan Jietong, which was then a company controlled by Hubei Shengze. As to 16.67% was then held by Ms. Xu Ling, one of the Wang Family members (namely the daughter-in-law of Mr. Wang Muqing.)
- (iii) as to the remaining 20% equity interest, all of which was then held by Wuhan Xinboheng, which was then a company controlled by Hubei Shengze.
- (iv) as to the remaining 39% equity interest, all of which was then held by Wuhan Zhongcheng, which was then a company controlled by Hubei Shengze.
- (v) as to the remaining 50% equity interest, 30% was then held by Shanghai Lushi, which was then a company controlled by Hubei Shengze. As to 20% was then held by Ms. Xu Ling, one of the Wang Family (namely the daughter-in-law of Mr. Wang Muqing)
- (vi) as to the remaining 60% equity interest, all of which was then held by Beijing Jiaruiya, which was then a company controlled by Hubei Shengze.
- (vii) as to the remaining 10% equity interest, all of which was then held by Beijing Jiaruiya, which was then a company controlled by Hubei Shengze.
- (viii) as to the remaining 20% equity interest, all of which was then held by Shanghai Lushi, which was then a company controlled by Hubei Shengze.

OUR HISTORY AND REORGANISATION

The following depicts the shareholding structure of our Group as at 1 September 2009, being the date prior to our carrying out the Reorganisation:

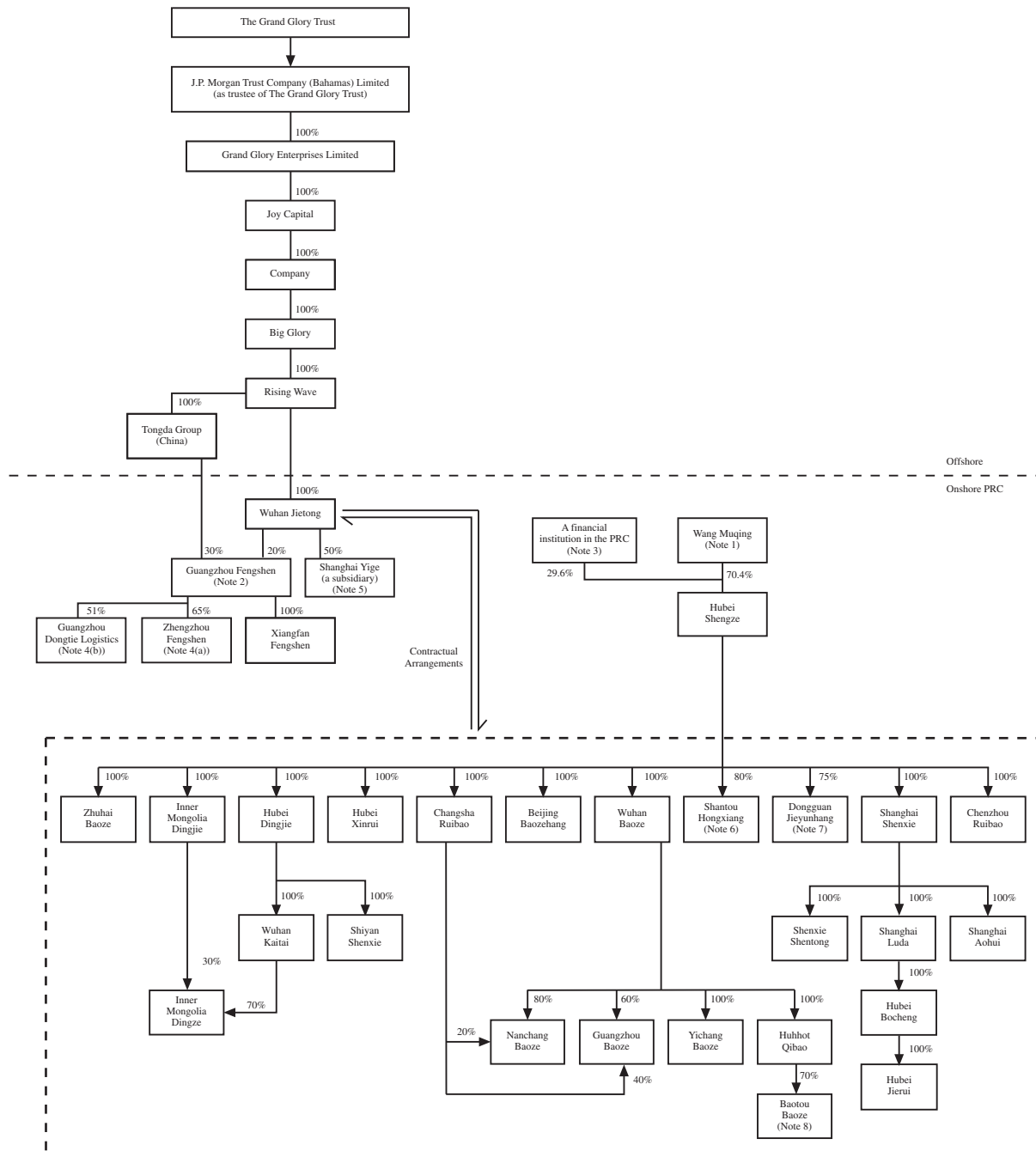


Notes:

- (i) as to the remaining 80% equity interest, all of which was then held by Beijing Jiaruiya, which was then a company controlled by Hubei Shengze.
- (ii) as to the remaining 39% equity interest, all of which was then held by Wuhan Zhongcheng, which was then a company controlled by Hubei Shengze.
- (iii) as to the remaining 50% equity interest, 30% was then held by Shanghai Lushi, which was then a company controlled by Hubei Shengze. As to 20% was then held by Ms. Xu Ling, one of the Wang Family members (namely the daughter-in-law of Mr. Wang Muqing).
- (iv) as to the remaining 20% equity interest, all of which was then held by Shanghai Lushi, which was then a company controlled by Hubei Shengze.
- (v) as to the remaining 60% equity interest, all of which was then held by Beijing Jiaruiya, which was then a company controlled by Hubei Shengze.
- (vi) as to the remaining 10% equity interest, all of which was then held by Beijing Jiaruiya, which was then a company controlled by Hubei Shengze.
- (vii) as to the remaining 30% equity interest, all of which was then held by Shanghai Lushi, which was then a company controlled by Hubei Shengze.

OUR HISTORY AND REORGANISATION

The following depicts the shareholding structure of our Group as at the Latest Practicable Date, after completion of the Reorganisation:



OUR HISTORY AND REORGANISATION

Notes:

1. Mr. Wang Muqing is the beneficial owner of about 70.4% equity interest of Hubei Shengze. Such equity interest is registered in the name of other members of the Wang Family (namely, Mr. Wang Weize (the son of Mr. Wang Muqing) and Ms. Xu Ling (the daughter-in-law of Mr. Wang Muqing)) as trustees or nominees of Mr. Wang Muqing. Our PRC Legal Advisors have advised us that such trustee or nomination arrangements are legal, valid and enforceable under the PRC laws.
2. A jointly controlled entity of the Company. The remaining 50% equity interest in Guangzhou Fengshen was held by an Independent Third Party.
3. For details, please refer to the section headed “Relationship with the Controlling Shareholders — Our Controlling Shareholder — Information on other companies owned by Joy Capital, Mr. Wang and their associates”.
4. (a) There are three minority shareholders of Zhengzhou Fengshen, namely, as to 15% held by 鄭州東工實業有限公司 (Zhengzhou Donggong Industrial Co., Ltd. (“Zhengzhou Donggong”)), as to 10% by 河南威佳汽車貿易有限公司 (Henan Weijia Automobile Trading Co., Ltd. (“Henan Weijia”)), and as to 10% by an individual (natural person). In respect of Zhengzhou Donggong, there are a total of 41 equity-holders, whose equity-holdings range from less than 0.2% to 11.23%. There are three individual (natural person) equity-holders of Henan Weijia whose shareholdings are in the proportion of 80%, 10% and 10% respectively. Each of the individual equity-holder of Zhengzhou Fengshen, the three individual equity-holders of Henan Weijia and the 41 equity-holders of Zhengzhou Donggong is an Independent Third Party.

(b) The remaining 49% equity interest in Guangzhou Dongtie Logistics was held by 中鐵特貨汽車物流有限公司 (Zhongtie Special Goods-Automobile Logistics Co., Ltd.) which is a wholly-owned subsidiary of a State-owned enterprise under the purview of the Ministry of Railway. Such 49% equity-holder is an Independent Third Party, other than it being a substantial shareholder of Guangzhou Dongtie Logistics.
5. The remaining 50% equity interest in Shanghai Yige was held by Yelin Trading (Shanghai) Company Limited* (葉林貿易(上海)有限公司), an Independent Third Party (other than it being a substantial shareholder of Shanghai Yige).
6. The remaining 20% equity interest in Shantou Hongxiang was held as to 10% by each of Mr. Wu Yihong and Mr. Lin Limin, who were also directors of Shantou Hongxiang. Other than being a substantial shareholder and a director of Shantou Hongxiang, each of Mr. Wu Yihong and Mr. Lin Limin is an Independent Third Party.
7. The remaining 25% equity interest in Dongguan Jieyunhang was held by Mr. Lin Cheng, an Independent Third Party (other than it being a substantial shareholder and a director of Dongguan Jieyunhang). By an agreement dated 3 August 2010 and made by Mr. Lin Cheng and Basetex, Basetex agreed to acquire the 25% equity interest in Dongguan Jieyunhang from Mr. Lin Cheng. As at the Latest Practicable Date, such transfer was not yet completed.
8. The remaining 30% equity interest in Baotou Baoze was held by Mr. Wang Jianye, an Independent Third Party (other than it being a substantial shareholder and a director of Baotou Baoze).

OUR HISTORY AND REORGANISATION

Brief details of our Group companies

The following table summarises the brief details of each of our Group companies as at the Latest Practicable Date:

S/N	Name of Group company	Date and place of incorporation	Issued share capital / Registered capital	Principal activities
1	The Company	9 July 2010; Cayman Islands	HK\$10 million (comprising 100,000,000 Shares of HK\$0.1 each)	Investment holding
2	Big Glory	22 June 2006; BVI	US\$100 (comprising 100 Shares having a par value of US\$1 each)	Investment holding
3	Rising Wave Development Limited	21 April 2006; Hong Kong	HK\$100 (comprising 100 Shares of HK\$1 each)	Investment holding
4	Wuhan Jietong	22 November 2002; PRC	RMB 40 million	Automobile-related logistics services
5	北京寶澤行汽車銷售 服務有限公司 (Beijing Baozhang Automobile Sales Services Co., Ltd.)	16 October 2009; PRC	RMB 90 million	Sales of automobiles and related services (BMW)
6	珠海寶澤汽車銷售 服務有限公司 (Zhuhai Baoze Automobile Sales Services Co., Ltd.)	27 June 2008; PRC	RMB 30 million	Sales of automobiles and related services (BMW)
7	湖北鼎杰汽車銷售 服務有限公司 (Hubei Dingjie Automobile Sales Services Co., Ltd.)	12 December 2002; PRC	RMB 55 million	Sales of automobiles and related services (Audi)

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S/N	Name of Group company	Date and place of incorporation	Issued share capital / Registered capital	Principal activities
8	湖北欣瑞汽車銷售服務有限公司 (Hubei Xinrui Automobile Sales Services Co., Ltd.)	18 March 2004; PRC	RMB 10 million	Sales of automobiles and related services (Beijing Hyundai)
9	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.)	21 June 2005; PRC	RMB 20 million	Sales of automobiles and related services (BMW)
10	武漢寶澤汽車銷售服務有限公司 (Wuhan Baoze Automobile Sales Services Co., Ltd.)	26 May 2004; PRC	RMB 70 million	Sales of automobiles and related services (BMW)
11	上海紳協汽車貿易有限公司 (Shanghai Shenxie Automobile Trading Co., Ltd.)	21 April 1999; PRC	RMB 50 million	Sales of automobiles and related services (Dongfeng Nissan)
12	郴州瑞寶汽車銷售服務有限公司 (Chenzhou Ruibao Automobile Sales Services Co., Ltd.)	6 September 2006; PRC	RMB 6 million	Sales of automobiles and related services (BMW)
13	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.)	20 October 2003; PRC	RMB 10 million	Sales of automobiles and related services (Dongfeng Nissan)
14	十堰紳協汽車貿易有限公司 (Shiyan Shenxie Automobile Trading Co., Ltd.)	18 June 2004; PRC	RMB 19 million	Sales of automobiles and related services (Buick)

OUR HISTORY AND REORGANISATION

S/N	Name of Group company	Date and place of incorporation	Issued share capital / Registered capital	Principal activities
15	東莞捷運行汽車銷售服務有限公司 (Dongguan Jieyunhang Automobile Sales Services Co., Ltd.)	6 July 2009; PRC	RMB 10 million	Sales of automobiles and related services (Porsche)
16	內蒙古鼎杰汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.)	23 January 2003; PRC	RMB 7 million	Sales of automobiles and related services (Dongfeng Nissan)
17	內蒙古鼎澤汽車銷售服務有限公司 (Inner Mongolia Dingze Automobile Sales Services Co., Ltd.)	27 October 2009; PRC	RMB 20 million	Sales of automobiles and related services (Dongfeng Nissan)
18	南昌寶澤汽車銷售服務有限公司 (Nanchang Baoze Automobile Sales Services Co., Ltd.)	2 June 2008; PRC	RMB 29 million	Sales of automobiles and related services (BMW)
19	廣州寶澤汽車銷售有限公司 (Guangzhou Baoze Automobile Sales Co., Ltd.)	20 April 2009; PRC	RMB 10 million	Sales of automobiles and related services (BMW)
20	宜昌寶澤汽車銷售服務有限公司 (Yichang Baoze Automobile Sales Services Co., Ltd.)	13 June 2006; PRC	RMB 8 million	Sales of automobiles and related services (BMW)
21	呼和浩特市祺寶汽車銷售服務有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.)	23 February 2006; PRC	RMB 10 million	Sales of automobiles and related services (BMW)

OUR HISTORY AND REORGANISATION

S/N	Name of Group company	Date and place of incorporation	Issued share capital / Registered capital	Principal activities
22	包頭市寶澤汽車銷售服務有限公司 (Baotou City Baoze Automobile Sales Services Co., Ltd.)	6 August 2009; PRC	RMB 26 million	Sales of automobiles and related services (BMW)
23	上海紳協紳通汽車銷售服務有限公司 (Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd.)	31 January 2007; PRC	RMB 15 million	Sales of automobiles and related services (Dongfeng Nissan)
24	上海陸達汽車銷售服務有限公司 (Shanghai Luda Automobile Sales Services Co., Ltd.)	8 November 2004; PRC	RMB 10 million	Sales of automobiles and related services (Donfeng Honda)
25	上海奧匯汽車銷售服務有限公司 (Shanghai Aohui Automobile Sales Services Co., Ltd.)	4 December 2008; PRC	RMB 10 million	Sales of automobiles and related services (Audi)
26	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.)	30 May 2003; PRC	RMB 20 million	Sales of automobiles and related services (Buick)
27	湖北捷瑞汽車銷售服務有限公司 (Hubei Jierui Automobile Sales Services Co., Ltd.)	24 June 2005; PRC	RMB 22 million	Sales of automobiles and related services (Chevrolet)
28	汕頭市宏祥物資有限公司 (Shantou Hongyang Materials Co., Ltd.)	12 July 2000; PRC	RMB 5 million	Sales of automobile (including small passenger automobiles), and Audi-branded vehicles manufactured by FAW-Volkswagen), parts and components of vehicles and other materials

OUR HISTORY AND REORGANISATION

S/N	Name of Group company	Date and place of incorporation	Issued share capital / Registered capital	Principal activities
29	上海繹格科工貿有限公司 (Shanghai Yige Science & technology Trading Co., Ltd.)	25 September 2002; PRC	RMB 15 million	Trading business (lubricant oil for passenger car vehicle)
30	Tongda Group (China) Co., Limited	10 November 2008; Hong Kong	HK\$10,000	Investment holding

Jointly controlled entity

Our Group also holds 50% equity interest in the following company, which is treated as a jointly-controlled entity (instead of a subsidiary of our Group):

Name of jointly controlled entity	Date and place of incorporation	Registered capital	Principal activities
廣州風神物流有限公司 (Guangzhou Fengshen Logistics Co., Ltd.)	3 September 2002; PRC	RMB 60 million	Motor related logistics services and storage

Before our acquisition of the entire equity interest in Tongda Group (China) which in turn holds 30% equity interest in Guangzhou Fengshen, which was completed on 29 June 2010, our Group owned 20% equity interest in Guangzhou Fengshen directly by Wuhan Jietong.

FOUNDER OF OUR GROUP

Before founding the Group, Mr. Wang Muqing had worked for over 25 years in various managerial positions in a state-owned factory engaged in the installation and commissioning of equipment. This past employment, although unrelated to his subsequent career, provided him with opportunity to meet with manufacturers and distributors of automobiles, and he became interested in establishing his own business in the automobile industry. It was not until 1996 when Mr. Wang established his own business for the trading of trucks. That business (discontinued since 2005) primarily involved the trading of trucks, which Mr. Wang sold through distributors to central and north eastern provinces of China. The initial venture turned out to be a success. Three years later, in 1999 Shanghai Shenxie was established, for the distribution of Dongfeng Nissan vehicles, a milestone in the history of our business. Hubei Shengze was established in 2001, two years after the establishment of our first dealership, and has since been the family holding company.

OUR HISTORY AND REORGANISATION

REORGANISATION

In order to streamline the corporate structure and rationalize the Group’s corporate structure for the [●], the companies comprising the Equity-held Group and the Operating Group underwent the Reorganisation. Pursuant to the Reorganisation, the Company became the holding company of the Equity-held Group, and agreements for effecting the Contractual Arrangements were also entered into whereby Wuhan Jietong acquired effective control over the financial and operational policies of the PRC Operating Entities, and became entitled to economic benefits derived from the operations of the PRC Operating Entities through the Contractual Arrangements. The Reorganisation involved the following steps:

Contractual arrangements

Our Group is principally engaged in 4S dealership, automobile retail sales and distribution in the PRC. Pursuant to our dealership agreements we conduct the 4S Businesses (i.e. vehicle sales, spare parts, service and survey (a function of collecting market information for the automakers to adjust their market strategies)).

Under the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment (“2007 Foreign Investment Catalogue”, 《外商投資產業指導目錄 (2007年修訂)》), 4S dealership stores falls under category VI(2) of restricted foreign investment industry and an automobile dealership group with more than 30 dealership stores selling different brands and models of automobiles supplied by multiple automobile manufacturers in the PRC is required to have a domestic (i.e. PRC) investment of no less than 51%. As advised by our PRC Legal Advisors, if Wuhan Jietong, being wholly owned by Rising Wave and thus a foreign company for purpose of the 2007 Foreign Investment Catalogue, is to obtain control of our Group by acquiring a majority of the latter’s equity interest, our Group will become subject to the 30 Dealerships Limitation.

In light of the above, it is considered by our Group that the adoption of the Contractual Arrangements is necessary and will provide greater flexibility to our Group for our growth strategy and is in the interest of our Group as a whole. Although our Group does not have any direct equity holding in the PRC Operating Entities, we manage to maintain an effective control over the financial and operational policies of the PRC Operating Entities and are entitled to the economic benefits derived from the operations of the PRC Operating Entities through the Contractual Arrangements. Under the Contractual Arrangements, we entered into the equity pledge agreements, exclusive option agreements, exclusive business operation agreements, exclusive management and consultation services agreements and the proxy agreements. For further details of these agreements and other details of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this document.

Reorganisation of the Operating Group

The chart depicting the shareholding structure of our Group as at 1 September 2009, being the date prior to the commencement of the Reorganisation, is shown in the second chart under the section headed “Our History and Reorganisation — Shareholding and corporate changes of our Group during the Track Record Period.

OUR HISTORY AND REORGANISATION

In order to streamline the corporate structure and rationalize the Group’s corporate structure for the [●], the companies comprising the Operating Group underwent certain shareholding changes, which are briefly summarised in the table below. The transferees named in the column headed “Parties” below are either Hubei Shengze (which is not a member of the Group, but the direct or ultimate holding company of the PRC Operating Entities) or the PRC Operating Entities.

S/N	Target company	Parties	Amount of registered capital involved; and equity-holding represented	Equity- holders (a) immediately prior to the purchase, and (b) immediately after the purchase	Purchase price and basis for determination	Date of equity transfer agreement	Completion date (Note)
1	Yichang Baoze	Hubei Dingjie as transferor; Hubei Shengze as transferee	RMB 1.6 million (20%)	(a) Wuhan Baoze holding 80%; and Hubei Dingjie holding 20% (b) Wuhan Baoze holding 80%; and Hubei Shengze holding 20%	RMB 1.6 million, based on the amount of registered capital of Yichang Baoze attributed to Hubei Dingjie	23 October 2009	28 October 2009
2	Wuhan Kaitai	Hubei Dingjie (as transferor); Hubei Shengze (as transferee)	RMB 3 million (30%) then held by Hubei Dingjie	(a) Hubei Dingjie holding 30%, Hubei Shengze holding 31% and Wuhan Zhongcheng Auto-sales Services Company Limited* (武漢眾成汽車銷售服務有限公司) (as transferor, then held as to 90% by Hubei Shengze and thus an associate of Wang Muqing and currently, an Independent Third Party) (“Wuhan Zhongcheng”) holding 39% (b) Hubei Shengze holding 61% and Wuhan Zhongcheng holding 39%	RMB 3 million, based on the amount of registered capital of Wuhan Kaitai attributed to Hubei Dingjie	26 October 2009	28 October 2009
3	Hubei Xinrui	Hubei Dingjie (as transferor); Hubei Shengze (as transferee)	RMB 6 million (60%)	(a) Hubei Dingjie holding 60% and Hubei Bocheng holding 40% (b) Hubei Shengze holding 60% and Hubei Bocheng holding 40%	RMB 6 million, based on the amount of registered capital of Hubei Xinrui attributed to Hubei Dingjie	27 October 2009	27 October 2009
4	Hubei Xinrui	Hubei Bocheng (as transferor); Hubei Shengze (as transferee)	RMB 4 million (40%)	(a) Hubei Shengze holding 60% and Hubei Bocheng holding 40% (b) Hubei Shengze holding 100%	RMB 4 million, based on the amount of registered capital in Hubei Xinrui attributed to Hubei Bocheng	3 November 2009	11 November 2009

OUR HISTORY AND REORGANISATION

S/N	Target company	Parties	Amount of registered capital involved; and equity-holding represented	Equity- holders (a) immediately prior to the purchase, and (b) immediately after the purchase	Purchase price and basis for determination	Date of equity transfer agreement	Completion date (Note)
5	Wuhan Kaitai	Hubei Shengze and Wuhan Zhongcheng (as transferors); Hubei Dingjie (as transferee)	RMB 6.1 million (61%) then held by Hubei Shengze; RMB 3.9 million (39%) then held by Wuhan Zhongcheng	(a) Hubei Shengze holding 61%, and Wuhan Zhongcheng holding 39% (b) Hubei Dingjie holding 100%	RMB 6.1 million, based on the amount of registered capital of Wuhan Kaitai attributed to Hubei Shengze, and RMB 3.9 million, based on the amount of registered capital of Wuhan Kaitai attributed to Wuhan Zhongcheng respectively	3 November 2009	17 November 2009
6	Wuhan Baoze	(i) Hubei Xinrui, Hubei Dingjie and Wuhan Jietong (all as transferors); (ii) Hubei Shengze (as transferee)	RMB 37 million (61.67%) then held by Hubei Xinrui; RMB 14 million (23.33%) then held by Hubei Dingjie; RMB 9 million (15%) then held by Wuhan Jietong	(a) Hubei Xinrui holding 61.67%, Hubei Dingjie holding 23.33% and Wuhan Jietong holding 15% (b) Hubei Shengze holding 100%	RMB 37 million, based on the amount of registered capital in Wuhan Baoze attributed to Hubei Xinrui, RMB 14 million, based on the amount of registered capital of Wuhan Baoze attributed to Hubei Dingjie, and RMB 9 million, based on the amount of registered capital of Wuhan Baoze attributed to Wuhan Jietong respectively	3 November 2009	12 November 2009
7	Hubei Jierui	Wuhan Baoze (as transferor); Hubei Bocheng (as transferee)	RMB 9 million (90%)	(a) Wuhan Baoze holding 90%, and Hubei Bocheng holding 10% (b) Hubei Bocheng holding 100%	RMB 9 million, based on the amount of registered capital of Hubei Jierui attributed to Wuhan Baoze	3 November 2009	10 November 2009
8	Shenxie Shentong	Hubei Shengze (as transferor); Shanghai Shenxie (as transferee)	RMB 4 million (40%)	(a) Shanghai Shenxie holding 60%, and Hubei Shengze holding 40% (b) Shanghai Shenxie holding 100%	RMB 4 million, based on the amount of registered capital of Shenxie Shentong attributed to Hubei Shengze	5 November 2009	16 November 2009
9	Shiyan Shenxie	Hubei Shengze (as transferor); Hubei Dingjie (as transferee)	RMB 2.7 million (90%)	(a) Hubei Shengze holding 90%, and Hubei Dingjie holding 10% (b) Hubei Dingjie holding 100%	RMB 2.7 million, based on the amount of registered capital of Shiyan Shenxie attributed to Hubei Shengze	4 November 2009	19 November 2009

OUR HISTORY AND REORGANISATION

S/N	Target company	Parties	Amount of registered capital involved; and equity-holding represented	Equity- holders (a) immediately prior to the purchase, and (b) immediately after the purchase	Purchase price and basis for determination	Date of equity transfer agreement	Completion date (Note)
10	Yichang Baoze	Hubei Shengze (as transferor); Wuhan Baoze (as transferee)	RMB 1.6 million(20%)	(a) Wuhan Baoze holding 80%, and Hubei Shengze holding 20% (b) Wuhan Baoze holding 100%	RMB 1.6 million, based on the amount of registered capital of Yichang Baoze attributed to Hubei Shengze	4 November 2009	10 November 2009
11	Changsha Ruibao	(i) Beijing Jiaruiya Auto-sales Services Company Limited* (北京嘉瑞雅汽車銷售服務有限公司) (as transferor, then wholly owned by Hubei Shengze and thus an associate of Mr. Wang Muqing and currently an Independent Third Party), (“Beijing Jiaruiya”); (ii) Hubei Xinrui (as transferor); (iii) Hubei Shengze (as transferee)	RMB 6 million (60%) then held by Beijing Jiaruiya; RMB 4 million (40%) then held by Hubei Xinrui	(a) Beijing Jiaruiya holding 60%, and Hubei Xinrui holding 40% (b) Hubei Shengze holding 100%	RMB 6 million, based on the amount of registered capital of Changsha Ruibao attributed to Beijing Jiaruiya and RMB 4 million, based on the amount of registered capital of Changsha Ruibao attributed to Hubei Xinrui respectively	4 November 2009	23 November 2009
12	Chenzhou Ruibao	(i) Beijing Jiaruiya (as transferor); (ii) Changsha Ruibao (as transferor); (iii) Hubei Shengze (as transferee)	RMB 0.6 million (10%) then held by Beijing Jiaruiya; RMB 5.4 million (90%) then held by Changsha Ruibao	(a) Changsha Ruibao holding 90%, and Beijing Jiaruiya holding 10% (b) Hubei Shengze holding 100%	RMB 0.6 million, based on the amount of registered capital of Chenzhou Ruibao attributed to Beijing Jiaruiya and RMB 5.4 million, based on the amount of registered capital of Chenzhou Ruibao attributed to Changsha Ruibao respectively	4 November 2009	26 November 2009

OUR HISTORY AND REORGANISATION

S/N	Target company	Parties	Amount of registered capital involved; and equity-holding represented	Equity- holders (a) immediately prior to the purchase, and (b) immediately after the purchase	Purchase price and basis for determination	Date of equity transfer agreement	Completion date (Note)
13	Zhuhai Baoze	(i) Wuhan Baoze (as transferor); (ii) Changsha Ruibao (as transferor); (iii) Hubei Shengze (as transferee)	RMB 8 million (80%) then held by Wuhan Baoze; RMB 2 million (20%) then held by Changsha Ruibao	(a) Wuhan Baoze holding 80%, and Changsha Ruibao holding 20% (b) Hubei Shengze holding 100%	RMB 8 million, based on the amount of registered capital of Zhuhai Baoze attributed to Wuhan Baoze, and RMB 2 million, based on the amount of registered capital of Zhuhai Baoze attributed to Changsha Ruibao	4 November 2009 ¹	25 November 2009
14	Hubei Bocheng	(i) Shanghai Lushi Auto-sales Services Limited Company* (上海陸獅汽車銷售服務有限公司, then indirectly wholly owned by Hubei Shengze (and thus an associate of Wang Muqing) and currently an Independent Third Party (as transferor) (“Shanghai Lushi”)); (ii) Shanghai Luda (as transferee)	RMB 2 million (20%)	(a) Shanghai Luda holding 80%, and Shanghai Lushi holding 20% (b) Shanghai Luda holding 100%	RMB 2 million, based on the amount of registered capital of Hubei Bocheng attributed to Shanghai Lushi	5 November 2009	19 November 2009
15	Shanghai Shenxie	Hubei Dingjie (as transferor); Hubei Shengze (as transferee)	RMB 12.5 million (about 22.7%)	(a) Hubei Shengze holding about 77.3%, and Hubei Dingjie holding about 22.7% (b) Hubei Shengze holding 100%	RMB 12.5 million, based on the amount of registered capital of Shanghai Shenxie attributed to Hubei Dingjie	5 November 2009	10 November 2009
16	Shanghai Aohui	Shanghai Lushi (as transferor) and Shanghai Shenxie (as transferee)	RMB 3 million (30%)	(a) Shanghai Shenxie holding 70%, and Shanghai Lushi holding 30% (b) Shanghai Shenxie holding 100%	RMB 3 million, based on the amount of registered capital of Shanghai Aohui attributed to Shanghai Lushi	5 November 2009	11 November 2009

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S/N	Target company	Parties	Amount of registered capital involved; and equity-holding represented	Equity- holders (a) immediately prior to the purchase, and (b) immediately after the purchase	Purchase price and basis for determination	Date of equity transfer agreement	Completion date (Note)
17	Hubei Dingjie	(i) Beijing Jiaruiya (as transferor); (ii) Changsha Ruibao (as transferor); and (iii) Hubei Shengze (as transferee)	RMB 24 million (80%) then held by Beijing Jiaruiya; RMB 6 million (20%) then held by Changsha Ruibao	(a) Beijing Jiaruiya holding 80%, and Changsha Ruibao holding 20% (b) Hubei Shengze holding 100%	(a) RMB 6 million, based on the amount of registered capital of Hubei Dingjie attributed to Changsha Ruibao, and (b) RMB 24 million, based on the amount of registered capital of Hubei Dingjie attributed to Beijing Jiaruiya	6 November 2009	19 November 2009
18	Huhhot Qibao	Hubei Shengze (as transferor); Wuhan Baoze (as transferee)	RMB 7 million (70%)	(a) Hubei Shengze holding 70%, and Wuhan Baoze holding 30% (b) Wuhan Baoze holding 100%	RMB 7 million, based on the amount of registered capital of Huhhot Qibao attributed to Hubei Shengze	12 November 2009	24 November 2009
19	Inner Mongolia Dingjie	Hubei Dingjie (as transferor) and Hubei Shengze (as transferee)	RMB 2 million (20%)	(a) Hubei Shengze holding 80%, and Hubei Dingjie holding 20% (b) Hubei Shengze holding 100%	RMB 2 million, based on the amount of registered capital of Inner Mongolia Dingjie attributed to Hubei Dingjie	12 November 2009	24 November 2009
20	Shanghai Luda	(i) Shanghai Lushi (as transferor); (ii) Ms. Xu Ling (as transferor, being the daughter-in-law of Wang Muqing, our non-executive Director); (iii) Shanghai Shenxie (as transferee)	RMB 3 million (30%) then held by Shanghai Lushi; RMB 2 million (20%) then held by Ms. Xu Ling	(a) Shanghai Shenxie holding 50%, Shanghai Lushi holding 30%, and Ms. Xu Ling holding 20% (b) Shanghai Shenxie holding 100%	RMB 3 million, based on the amount of registered capital of Shanghai Luda attributed to Shanghai Lushi, and RMB 2 million, based on the amount of registered capital of Shanghai Luda attributed to Ms. Xu Ling respectively	5 December 2009	30 December 2009
21	Beijing Baozehang	(i) Beijing Jiaruiya (as transferor); (ii) Hubei Shengze (as transferee)	RMB 1 million (10%) then held by Beijing Jiaruiya	(a) Hubei Shengze holding 90% and Beijing Jiaruiya holding 10% (b) Hubei Shengze holding 100%	RMB 1 million, based on the amount of registered capital in Beijing Baozehang attributed to Beijing Jiaruiya	5 January 2010	13 January 2010

Note: The completion date is the date on which the details of the change in equity-holders concerned were filed with the relevant administration of industry and commerce in the PRC.

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Demerger (分立) of PRC Operating Entities

Prior to the Reorganisation, some of the PRC Operating Entities held property interests as well as operated the 4S dealership stores. To delineate the two distinct businesses, steps were taken by the Group to effect certain demergers, in order to spin off the property development/investment businesses and the related assets and liabilities of certain PRC Operating Entities from such PRC Operating Entities, and for such spun-off businesses to be grouped under new companies outside of the Group which were established upon completion of the demerger process. Under the PRC Companies Law, where a company undergoes a demerger exercise, the companies arising from and/or continuing to exist after such merger shall be liable for the predecessor company’s liabilities on a joint and several basis. According to our PRC Legal Advisors, all necessary approvals to be obtained from and filings to be made with the PRC government authorities to implement such demergers were obtained and completed.

On or before 30 September 2010, titles to the relevant properties held by Changsha Ruibao, Inner Mongolia Dingjie and Shanghai Shenxie were transferred to the newly established enterprises arising from their respective demergers respectively. Further details of the demergers of these three PRC Operating Entities, which were completed in connection with the Reorganisation, are set out below:

(1) *Changsha Ruibao*

Prior to the demerger, Changsha Ruibao then had a registered capital of RMB 10 million and its sole equity-holder was Hubei Shengze as of 4 March 2010. On 1 April 2010, Changsha Shengze Ruibao Electronics Trading Co., Ltd* (長沙聖澤瑞寶電子產品貿易有限公司) (“Changsha Electronics”) was demerged from Changsha Ruibao. Following such demerger, Changsha Ruibao’s registered capital became RMB 8 million while that of Changsha Electronics was RMB 2 million. Hubei Shengze remained as the sole equity-holder of each of Changsha Ruibao and Changsha Electronics. The land-use rights and properties, together with the related liabilities in the sum of about RMB 36 million, were allocated to Changsha Electronics, which have been excluded from the Group. The main purpose of the said demerger is to exclude the said land-use rights, properties and the related liabilities from the Group.

(2) *Inner Mongolia Dingjie*

Prior to the demerger, Inner Mongolia Dingjie then had a registered capital of RMB 10 million and its sole equity-holder was Hubei Shengze as of 4 May 2010. On 4 May 2010, Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd* (內蒙古聖澤鼎杰汽車貿易有限公司) (“Inner Mongolia Dingjie Auto-trading”) was demerged from Inner Mongolia Dingjie. Following such demerger, Inner Mongolia Dingjie’s registered capital became RMB 7 million while that of Inner Mongolia Dingjie Auto-trading was RMB 3 million. The sole equity-holder of each of Inner Mongolia Dingjie and Inner Mongolia Dingjie Auto-trading remained to be Hubei Shengze. The land-use rights (having a net book value of about RMB 8 million) and properties were allocated to Inner Mongolia Dingjie Auto-trading, which have been excluded from the Group. The main purpose of the said demerger is to exclude the said land-use rights and properties then held by Inner Mongolia Dingjie from the Group.

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(3) *Shanghai Shenxie*

Prior to the demerger, Shanghai Shenxie then had a registered capital of RMB 55 million and its sole equity-holder was Hubei Shengze as of 7 May 2010. On 19 May 2010, Shanghai Dingze Auto-trading Company Limited* (上海鼎澤汽車貿易有限公司) (“Shanghai Dingze Auto-trading”) was demerged from Shanghai Shenxie. Following such demerger, Shanghai Shenxie’s registered capital became RMB 50 million while that of Shanghai Dingze Auto-trading was RMB 5 million. The equity-holder of each of Shanghai Shenxie and Shanghai Dingze Auto-trading remained to be Hubei Shengze. The land-use rights and properties located at No. 61 and No. 278, Lane 1517, Huqingping Highway, Qingpu District, Shanghai* (上海市青浦區滬青平公路1517弄61號、278號) (having a net book value of about RMB 10 million), together with some cash in the sum of RMB 5 million were allocated to Shanghai Dingze Auto-trading, which has been excluded from the Group. The main purpose of the said demerger is to exclude from the Group the said land-use rights, properties and the related cash generated from such business.

(4) *Hubei Dingjie and Wuhan Baoze*

On the other hand, Hubei Dingjie and Wuhan Baoze (two of the PRC Operating Entities which underwent and completed the demerger procedures) did not complete the original plan of the transfer of the properties then held by them to the newly established enterprises arising from their respective demergers. Such transfers did not take place as the Group, after re-considering the costs and benefits arising from such proposed transfers, considered that the benefits might be outweighed by the relevant costs. Accordingly, Hubei Dingjie and Wuhan Baoze (after completion of the demerger procedures) continued to hold (and are currently in possession of) the land use rights and properties (under (i) land use rights certificate No. WGY(2006)675 (國有土地使用證號: 武國用(2006)第675號) and Building Ownership Certificate No. WFQZCZ2007001000 (房屋所有權證為武房權證昌字第2007001000號), and (ii) land use rights certificate No. WGY(2006)801 (國有土地使用證號為武國用(2006)第801號) and Building Ownership Certificate No. WFQZAZ200603549 (房屋所有權證為武房權證岸字第200603549號) respectively).

Prior to the demerger, Hubei Dingjie had a registered capital of RMB 30 million and its sole equity-holder was Hubei Shengze as of 3 February 2010. On 7 June 2010, Hubei Shengze Dingjie Trading Company Limited* (湖北聖澤鼎杰貿易有限公司) (“Hubei Trading”) was demerged from Hubei Dingjie. Following such demerger, Hubei Dingjie’s registered capital became RMB 25 million while that of Hubei Trading was RMB 5 million. The equity-holder of each of Hubei Dingjie and Hubei Trading remained to be Hubei Shengze. It is planned that Hubei Trading would be engaged in trading business, but would not be engaged in the trading of automobiles nor in any business which competes or may compete with the Group.

Prior to the demerger, Wuhan Baoze then had a registered capital of RMB 60 million and its sole equity-holder was Hubei Shengze as of 14 May 2010. On 27 May 2010, Wuhan Shengze Baoze Trading Company Limited* (武漢聖澤寶澤貿易有限公司) (“Wuhan Trading”) was demerged from Wuhan Baoze. Following such demerger, Wuhan Baoze’s registered capital became RMB 50 million while that of Wuhan Trading was RMB 10 million. The equity-holder of each of Wuhan Baoze and Wuhan Trading remained to be Hubei Shengze. It is planned that Wuhan Trading would be engaged in trading business, but would not be engaged in the trading of automobiles nor in any business which competes or may compete with the Group.

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Pursuant to the demergers of the five subsidiaries of the Company as mentioned above, the Group has reduced combined paid-up capital by RMB 25 million as of 30 June 2010, which is accounted for as capital reduction in the combined statements of changes in equity.

Disposal of two property-holding subsidiaries of Wuhan Jietong

Wuhan Shengze Jieyun Trading Co., Ltd* (武漢聖澤捷運貿易有限公司) (“Wuhan Jieyun”) was incorporated on 5 January 2010 as a wholly owned subsidiary of Wuhan Jietong, with an initial registered capital of RMB 70 million. The registered capital of Wuhan Jieyun was contributed by Wuhan Jietong by way of cash and injection of properties. On 2 April 2010, Wuhan Jieyun became the holder of the property-use rights in respect of certain carports, composite building and office all situated at Lot 6C2 of Wuhan Economic Technology Development Area (under property-use right licence WFQZJZ No. 20101184, WFQZJZ No. 20101185, WFQZJZ No. 20101186 and 20101187). On 29 July 2010, Wuhan Jieyun became the holder of the land-use rights of the land situated at Lot 6C2 of Wuhan Economic Technology Development Area (with an area of 112,039.49 sq.m. and land-use right licence no.: WKGY (2010) No. 47 (武開國用(2010)第47號)) (having a net book value of about RMB 23 million). The disposal of Wuhan Jieyun by Wuhan Jietong to Hebei Shengze was effected on 25 September 2010, on which the local administration of industry and commerce of the PRC recorded the relevant change of equity-holder of Wuhan Jieyun. Since then, Wuhan Jieyun has been excluded from our Group. The main purpose of the said disposal is to exclude the said land-use rights and properties from the Group.

Wuhan Shengze Jiezhong Logistics Co., Ltd* (武漢聖澤捷眾物流有限公司) (“Wuhan Jiezhong”) was incorporated on 6 January 2010 as a wholly owned subsidiary of Wuhan Jietong, with an initial registered capital of RMB 13 million. The registered capital of Wuhan Jiezhong was contributed by Wuhan Jietong by way of cash and injection of properties. On 2 April 2010, Wuhan Jiezhong became the holder of the property-use rights in respect of certain sales and logistics centre situated at Lot 5C2 of Wuhan Economic Technology Development Area (under property-use right licence no.: WFQZJZ No. 20101188) (having a net book value of about RMB 3 million). On 29 July 2010, Wuhan Jieyun became the holder of the land-use rights of the land situated at Lot 5C2 of Wuhan Economic Technology Development Area (with an area of 21,764.91sq. m. and land-use right licence no.: WKGY (2010) No. 48 (武開國用(2010)第48號)). The disposal of Wuhan Jiezhong by Wuhan Jietong to Hebei Shengze was effected on 25 September 2010, on which the local administration of industry and commerce of the PRC recorded the relevant change of equity-holder of Wuhan Jiezhong. Since then, Wuhan Jiezhong has been excluded from our Group. The main purpose of the said disposal is to exclude the said land-use rights and properties from the Group.

Reorganisation of the Equity-held Group

On 9 July 2010, our Company was incorporated in the Cayman Islands. On the date of its incorporation, our Company had a total number of 1,000,000 Shares issued nil-paid, all of which were held by Joy Capital.

On 3 September 2010, Big Glory disposed of the entire shareholding of Richie Wide (then a dormant company immediately prior to its disposal) to Siu Yuen Man (蕭婉文), an Independent Third Party at a consideration of HK\$100 (which was determined based on its aggregate par value). Following such disposal, Richie Wide was excluded from our Group.

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As Shanghai Yige is not engaged in 4S Businesses, it is not subject to the 30 Dealerships Limitation and thus need not be covered under the Contractual Arrangements. Control over this company is secured by changing it to be equity-held by Wuhan Jietong instead. By an equity transfer agreement dated 7 July 2010 made between Hubei Shengze (as transferor) and Wuhan Jietong (as transferee), Wuhan Jietong agreed to purchase 50% equity interest in Shanghai Yige from Hubei Shengze at a consideration of RMB 7.5 million. The filing of such changes with the relevant administration of industry and commerce was effected on 31 August 2010.

Sale and repurchase of issued share capital in Big Glory, and capitalization of loan owing from Big Glory to Joy Capital

On 12 August 2010, Joy Capital as vendor, Basetex as purchaser, Mr. Wang Muqing as covenantor in respect of certain obligations of Joy Capital, and Mr. Hong Xing as covenantor in respect of certain obligations of Basetex entered into the Basetex Investment Agreement, pursuant to which Joy Capital agreed to sell and Basetex agreed to purchase 1.0051% of the issued share capital in Big Glory at a consideration of HK\$50 million. The purchase price payable under the Basetex Investment Agreement was determined having regard to, among other factors, the historical profits as well as the recent sales performance of the Group, and also the growth trend of the automobile industry in the PRC. The purchase price was received as to HK\$20 million in mid-August 2010 and as to HK\$30 million in mid-September 2010. On 30 August 2010, such sale and purchase was completed. Basetex is wholly by Mr. Hong Xing who is the ultimate beneficial owner of the company which has entered into an agreement with the minority equity holder to acquire 25% equity interest in Dongguan Jieyunhang. The proceeds arising from such transaction was on-lent to the Group and applied to payment of the purchase price for the acquisition of the entire issued share capital in Tongda Group (China).

Following discussions between Joy Capital and Basetex, they concluded that the Basetex Investment Agreement would be unwound by way of Joy Capital's purchase from Basetex of all such shares in Big Glory then held by Basetex. Following completion of the agreement dated 22 October 2010 and made between (among other parties) Joy Capital and Basetex, the 1.0051% share capital in Big Glory then held by Basetex was transferred by Basetex to Joy Capital at a consideration of HK\$50 million. Following such transfer on the same day of the agreement, Big Glory became wholly owned by Joy Capital. Under the said agreement, the parties agreed that the consideration of HK\$50 million shall be paid by Joy Capital to Basetex on or before 21 October 2011, and during the period between 22 October 2010 (being the date of completion of the transfer of the said 1.0051% share capital in Big Glory) and the date of full payment of such consideration, interest will accrue at the rate of 20% per annum on the outstanding amount.

As at late September 2010 (before the loan capitalization as mentioned in the immediately following paragraph), Rising Wave was indebted to Mr. Wang Muqing (the Chairman of our Company) for a sum of about HK\$46.4 million. By certain loan assignments, such indebtedness became owing by Big Glory to Joy Capital.

The total indebtednesses in the sum of about HK\$96.4 million owing by Big Glory to Joy Capital were capitalized by Big Glory's issue of 99 shares of US\$1 each to Joy Capital on 29 September 2010.

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Final share swap involving our Company, Joy Capital and Big Glory

On 17 November 2010, our Company acquired from Joy Capital an aggregate of 100 shares of US\$1 each, being the entire issued share capital of Big Glory. In consideration of and in exchange for such acquisition, our Company (i) allotted and issued, credited as fully paid, 99,000,000 new Shares to Joy Capital, and (ii) credited as fully paid at par the one million nil-paid Shares then held by Joy Capital. Following such acquisition, our Company has become the holding company of the Equity-held Group and, through the Contractual Arrangements, acquired control of the Operating Group.

Establishment of The Grand Glory Trust

On 6 September 2010, The Grand Glory Trust was established, with Wang Muqing as settlor and members of the Wang Family as beneficiaries. The sole asset of such family trust is the entire issued share capital in Grand Glory Enterprises Limited, a limited company incorporated in Bahamas, which is managed by J.P. Morgan Trust Company (Bahamas) Limited. J.P. Morgan Trust Company (Bahamas) Limited and J.P. Morgan Securities (Asia Pacific) Limited are fellow subsidiaries, whose ultimate holding company is J.P. Morgan Chase & Co, a company incorporated in the United States.

On 19 November 2010, Wang Muqing transferred his entire shareholdings in Joy Capital to Grand Glory Enterprises Limited as a gift for the purpose of establishing such family trust. Following such transfer, Grand Glory Enterprises Limited has become the sole direct shareholder of Joy Capital.

Acquisitions and disposals during the Track Record Period

Apart from the Reorganisation mentioned above, our Group also underwent certain acquisitions and disposal in line with our corporate strategy. Brief details of the more major activities in this connection are set out below:

(A) Acquisitions

Tongda Group (China) and Guangzhou Fengshen

As part of the expansion plan of our Group, by an agreement dated 28 June 2010 entered into between Rising Wave (as purchaser) and Shao Yong Jun, an Independent Third Party (as vendor), Rising Wave agreed to acquire the entire issued share capital in Tongda Group (China), thereby indirectly acquiring the 30% equity interest in Guangzhou Fengshen held by Tongda Group (China). The completion of the above acquisition took place as of 29 June 2010, upon which our Company held an aggregate of 50% equity interest in Guangzhou Fengshen. Guangzhou Fengshen has since then been treated as a jointly-controlled entity of our Company.

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The terms of payment under the above agreement for the acquisition of the entire issued share capital in Tongda Group (China) is set out below:

- (a) following completion, Rising Wave as purchaser shall procure Tongda Group (China) to pay RMB 41 million to Far Ocean SCM Technology (Hong Kong) Limited, the company from which Tongda Group (China) acquired 30% equity interest in Guangzhou Fengshen; and
- (b) if the above RMB 41 million is not yet settled by 30 September 2010, Rising Wave shall settle such amount on behalf of Tongda Group (China) in cash.

As at the Latest Practicable Date, the above consideration of RMB 41 million has already been paid to Tongda Group (China).

Shantou Hongxiang

Shantou Hongxiang is a company incorporated in the PRC on 12 July 2000. It was established by Wu Yihong (an Independent Third Party and currently a director of Shantou Hongxiang) and Chen Jiluan (an Independent Third Party) with an initial registered capital of RMB 5.0 million, which was owned as to 70% by Wu Yihong and as to 30% by Chen Jiluan. Shantou Hongxiang is now principally engaged in sales of automobile (including small passenger automobiles), and Audi-branded vehicles manufactured by FAW-Volkswagen, parts and components of vehicles and other materials. Its registered capital was [RMB 5 million] as at the Latest Practicable Date.

Prior to the acquisition agreement made by Hubei Shengze with two then Independent Third Parties, namely Wu Yihong and Lin Limin on 23 June 2010, Shantou Hongxiang was then held by the said two persons who currently are directors of Shantou Hongxiang. By an equity transfer agreement dated 23 June 2010 (as supplemented by a supplemental agreement dated 24 June 2010) entered into between Wu Yihong (as transferor), Lin Limin (as transferor) and Hubei Shengze (as transferee), Wu Yihong agreed to transfer 40% equity interest in Shantou Hongxiang then held by him to Hubei Shengze at a consideration of RMB28.22 million, based on arm’s length negotiation taking into account the fact that Shantou Hongxiang is authorised to engage in the sales of Audi-branded vehicles manufactured by FAW-Volkswagen, while Lin Limin agreed to transfer 40% equity interest in Shantou Hongxiang then held by him to Hubei Shengze at a consideration of RMB28.22 million, on the same basis set out above. Under the supplemental agreement dated 24 June 2010 and made by the said parties, the number of directors of Shantou Hongxiang was changed to five, three of whom were nominees of Hubei Shengze, while the other two were Wu Yihong and Lin Limin, which enabled Hubei Shengze to have control in respect of the financial and operating policies of Shantou Hongxiang. In connection with the said equity-interest transfers and as part of the completion arrangement, Wu Yihong’s 40% equity interest in Shantou Hongxiang was transferred through his designated nominee company (namely, Shantou Hongqixing Investments Co., Ltd.* (汕頭市宏奇盛投資有限公司)) to Hubei Shengze, while Lin Limin’s 40% equity interest in Shantou Hongxiang was transferred through his designated nominee company (namely, Shantou Liao Investments Co., Ltd. (汕頭市力奧投資有限公司)) to Hubei Shengze. The record of Hubei Shengze becoming the 80% equity-interest in Shantou Hongxiang was filed with the local administration of industry and commerce on 20 August 2010. Since such filing and as at the Latest Practicable Date, Shantou Hongxiang has been owned as to 80% by Hubei Shengze, as to 10% by Wu Yihong and as to 10% by

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Lin Limin. Wu Yihong is a founder of Shantou Hongxiang. Prior to Hubei Shengze’s acquisition of 80% equity interests in Shantou Hongxiang, both Wu Yihong and Lin Limin were then directors of Shantou Hongxiang, who have been dealing with supplier, customer and other general management matters of Shantou Hongxiang. During the negotiations for the acquisition exercise, the sellers indicated their wish to retain a minority stake in Shantou Hongxiang so that they may share the future growth of Shantou Hongxiang, which might arise from the Group’s acquisition. The Group considers it more appropriate to retain these two persons to continue to assist the Group in the management of Shantou Hongxiang. To give incentive for them to work diligently and to align their interests with the Group’s interests, the Group considers it appropriate to allow them to hold a minority stake in Shantou Hongxiang.

(B) Disposals by our Group or by Hubei Shengze

(i) Suizhou Bocheng

Suizhou Bocheng Auto-sales Services Company Limited* (隨州博誠汽車銷售服務有限公司) (“Suizhou Bocheng”) was incorporated in the PRC on 23 November 2004. Immediately before the disposal of Suizhou Bocheng, it was owned as to 60% by Hubei Ruishi Auto-sales Services Company Limited* (湖北瑞獅汽車銷售服務有限公司) and as to 40% by Hubei Xinrui.

Prior to its disposal, Suizhou Bocheng was a second-tier sub-sale point (二級分銷網絡) for automobiles of a medium market segment brand. It did not manage to perform satisfactorily prior to its disposal. By an agreement dated 11 June 2009, Hubei Ruishi Auto-sales Services Company Limited* (湖北瑞獅汽車銷售服務有限公司) and Hubei Xinrui transferred their entire equity interest in Suizhou Bocheng to Yang Zhihai (楊支海), an Independent Third Party. The total sale price amounted to RMB 200,000, which was determined based on arm’s length negotiation taking into account the fact that Suizhou Bocheng was liquidated and did not have any asset value at the time of disposal. As the consideration was equivalent to the transferor’s investment cost, neither gain nor loss was recorded from such transfer. Following such disposal, Hubei Xinrui no longer had any equity interest in Suizhou Bocheng.

(ii) Shanghai Shenhui

Shanghai Shenhui Auto-sale Services Company Limited* (上海紳暉汽車銷售服務有限公司) (“Shanghai Shenhui”) was incorporated in the PRC on 2 June 2005. Immediately before the disposal of Shanghai Shenhui, it was owned as to 49% by Shanghai Shenxie and as to 51% by Zhu Yaoliang (朱耀良), an Independent Third Party.

Prior to its disposal, Shanghai Shenhui was then principally engaged in the sale of commercial cars/trucks (商用車/卡車), which was different from the principal business of our Group. Shanghai Shenhui was then also engaged in the sale of automobiles of a medium market segment. By an agreement dated 30 December 2009, Shanghai Shenxie transferred its entire equity interest in Shanghai Shenhui to Shanghai Yueheng Enterprises Company Limited* (上海悅恒實業有限公司), an Independent Third Party. The sale price amounted to RMB 4.9 million, which was determined based

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on the amount of registered capital in Shanghai Shenhui attributed to Shanghai Shenxie. As the consideration was equivalent to the transferor’s investment cost, neither gain nor loss was recorded from such transfer. Following such disposal, Shanghai Shenxie no longer had any interest in Shanghai Shenhui.

(iii) *Shanghai Zhenyang*

Shanghai Zhenyang Real Estate Operation Company Limited* (上海真陽房產經營有限公司) (“Shanghai Zhenyang”) was incorporated in the PRC on 18 December 2002. Immediately before the disposal of Shanghai Zhenyang, it was held as to 80% by Shanghai Shenxie and as to 20% by 上海真陽實業有限公司 (Shanghai Zhengyang Real Estate Co., Ltd.*), an Independent Third Party.

Prior to its disposal, Shanghai Zhenyang was then principally engaged in real estate development, which was different from the principal business of our Group. By an agreement dated 12 October 2009, Shanghai Shenxie transferred (i) part of its equity interest (50%) in Shanghai Zhengyang to Shanghai Qiankun Construction Development Company Limited* (上海乾坤建設發展有限公司), an Independent Third Party at a consideration of RMB 14,435,000, based on the amount of such portion of registered capital in Shanghai Zhenyang attributed to Shanghai Shenxie, and (ii) part of its equity interest (30%) in Shanghai Zhenyang to Shanghai Xiebao Enterprises Company Limited* (上海協寶實業有限公司) at a consideration of RMB 8,661,000, based on the amount of such portion of registered capital in Shanghai Zhenyang attributed to Shanghai Shenxie. As the consideration was equivalent to the transferor’s investment cost, neither gain nor loss was recorded from such transfer. Following such disposal, Shanghai Shenxie no longer had any equity interest in Shanghai Zhenyang.

(iv) *Beijing Jiaruiya and Shanghai Lushi*

Beijing Jiaruiya Auto-sales Services Company Limited* (北京嘉瑞雅汽車銷售服務有限公司) (“Beijing Jiaruiya”) was incorporated in the PRC on 11 June 2003. Immediately before the disposal of Beijing Jiaruiya, its entire equity interest was held by Hubei Shengze.

Shanghai Lushi Auto-sales Services Company Limited* (上海陸獅汽車銷售服務有限公司) (“Shanghai Lushi”) was incorporated in the PRC on 31 March 2004. Immediately before the disposal of Shanghai Lushi, its entire equity interest was held by Shenxie Shenqi (as defined below).

Prior to their disposals, both Beijing Jiaruiya and Shanghai Lushi were then principally engaged in the 4S dealership store of automobiles of a medium market segment which none of our Group members distributed. Both these companies started to distribute the automobiles of such brand in 2004. During the six years prior to their disposals, they taken together only made profit for the year 2007 and 2009, while making losses for the other four years. In line with our Group’s strategy to focus on the sale of premium and ultra-premium automobiles, Hubei Shengze and Shenxie Shenqi then decided to dispose of these two companies.

By an agreement dated 20 March 2009, Hubei Shengze transferred its entire equity interest in Beijing Jiaruiya to Hubei Yinxi Investment Management Company Limited* (湖北銀熙投資管理有限公司) (“Hubei Yinxi”), then a subsidiary of Hubei Shengze, after Hubei Yinxi had come to a

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framework agreement (“Portfolio Disposal Understanding”) with an Independent Third Party who planned to distribute automobiles of a few brands. The sale price amounted to RMB 28 million, which was equivalent to the registered capital in Beijing Jiaruiya. Such sale was completed on 3 December 2009. Following the transfer by Hubei Shengze to the said Independent Third Party of the entire equity interest in Hubei Yinxi pursuant to an agreement dated 2 August 2010, neither our Group nor Hubei Shengze had any interest in Beijing Jiaruiya.

By an agreement dated 20 March 2009, Shenxie Shenqi transferred its entire equity interest in Shanghai Lushi to Hubei Yinxi, then a subsidiary of Hubei Shengze, based on the Portfolio Disposal Understanding. The sale price amounted to RMB 10 million, which was equivalent to the registered capital in Shanghai Lushi attributed to Shenxie Shenqi. Such sale was completed on 10 January 2010. Following the transfer by Hubei Shengze of the entire equity interest in Hubei Yinxi pursuant to an agreement dated 2 August 2010, neither our Group nor Hubei Shengze had any interest in Shanghai Lushi.

(v) *Shenxie Shenqi*

Shanghai Shenxie Shenqi Auto-sales Services Company Limited* (上海紳協紳起汽車銷售服務有限公司) (“Shenxie Shenqi”) was incorporated in the PRC on 8 December 2006. Immediately before the disposal of Shenxie Shenqi, its entire equity interest was held by Hubei Shengze.

Prior to the disposal, Shenxie Shenqi was then principally engaged in the 4S dealership of automobiles of a low to medium market segment, which none of our Group members (except Shanghai Shenxie) distributed. For the same reasons as stated above, Hubei Shengze decided to dispose of Shenxie Shengqi. By an agreement dated 20 March 2009, Hubei Shengze transferred its entire equity interest in Shenxie Shenqi to Hubei Yinxi, then a subsidiary of Hubei Shengze, based on the Portfolio Disposal Understanding. The sale price amounted to RMB 10 million, which was equivalent to the registered capital in Shenxie Shenqi attributed to Hubei Shengze. Such sale was completed on 26 July 2010. Following the transfer by Hubei Shengze of the entire equity interest in Hubei Yinxi pursuant to an agreement dated 2 August 2010, neither our Group nor Hubei Shengze had any interest in Shenxie Shenqi.

For historical reasons when one 4S dealership store was allowed to distribute more than a single brand of automobiles, Shanghai Shenxie has been distributing automobiles of both Dongfeng Nissan and the said middle market brand. The 4S dealership agreement with respect to such middle market brand made by Shanghai Shenxie will expire within November 2010, Our Group did not renew such dealership agreement, and will cease to distribute automobiles of such middle market brand.

(vi) *Shanghai Shenrui*

Shanghai Shenrui Auto-sales Services Company Limited* (上海紳瑞汽車銷售服務有限公司) (“Shanghai Shenrui”) was incorporated in the PRC on 25 September 2007. Immediately before the disposal of Shanghai Shenrui, its entire equity interest was held by Hubei Shengze.

Prior to its disposal, Shanghai Shenrui was then principally engaged in the sale of automobiles of a medium market segment. As there was only one subsidiary of Hubei Shengze then only operated

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one 4S dealership store in respect of this brand, we encountered difficulty to enhance the sales of this brand of automobiles, taking into account immense competition in the Shanghai market for brands of similar segment. By an agreement dated 20 March 2009, Hubei Shengze transferred its entire equity interest in Shanghai Shenrui to Hubei Yinxi, based on the Portfolio Disposal Understanding. The disposal consideration amounted to RMB 12 million, which was equivalent to the registered capital in Shanghai Shenrui. Such sale was completed on 24 June 2010. Following the transfer by Hubei Shengze of the entire equity interest in Hubei Yinxi pursuant to an agreement dated 2 August 2010, neither our Group nor Hubei Shengze had any interest in Shanghai Shenrui.

(vii) *Wuhan Zhongcheng*

Wuhan Zhongcheng Auto-sales Services Company Limited* (武漢眾成汽車銷售服務有限公司) (“Wuhan Zhongcheng”) was incorporated in the PRC on 14 March 2002. Immediately before the disposal of Wuhan Zhongcheng, it was held as to 90% by Hubei Shengze and as to 10% by Hubei Ruishi Real Estate Company Limited* (湖北瑞獅置業有限公司).

Prior to its disposal, Wuhan Zhongcheng was then principally engaged in the sale of a middle market to premium branded automobiles. Based on the Portfolio Disposal Understanding, the Independent Third Party purchaser requested for inclusion of at least one company operating middle market to premium segment automobiles to be acquired by Hubei Yinxi, or else the Independent Third Party purchaser would not agree to purchase Shanghai Shenrui, Shenxie Shenqi, Beijing Jiaruiya and Shanghai Lushi all together. Among the companies in which Hubei Shengze had interest, there was only one company (namely, Wuhan Zhongcheng) operating the 4S dealership store in respect of such medium to premium segment automobiles. In addition, the landlord of the premises at which Wuhan Zhongcheng operated indicated that the lease would no longer be renewed by the time it will expire in 2012. Hubei Shengze therefore decided to include Wuhan Zhongcheng as one of the companies to be acquired by Hubei Yinxi. By an agreement dated 20 March 2009, Hubei Shengze and Hubei Ruishi Real Estate Company Limited* (湖北瑞獅置業有限公司) transferred their entire equity interest in Wuhan Zhongcheng to Hubei Yinxi, based on the Portfolio Disposal Understanding. The disposal consideration amounted to RMB 8 million, which was equivalent to the registered capital in Wuhan Zhongcheng. Such sale was completed on 27 November 2009. Following the transfer by Hubei Shengze of the entire equity interest in Hubei Yinxi pursuant to an agreement dated 2 August 2010, neither our Group nor Hubei Shengze had any interest in Wuhan Zhongcheng.

Corporate history and major shareholding changes of the principal members of our Group

Brief details of the corporate history and major shareholding changes of the principal members of our Group (including the PRC Operating Entities) are set out in paragraph 4(b) of Appendix VII (entitled “Statutory and General Information — Group Reorganisation and History — Our History”) to this document.

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OVERVIEW

We are the second largest BMW dealer and a major 4S dealership group in China focused on premium brands such as BMW, MINI and Audi. According to ACFR, we ranked second in terms of the number of BMW 4S dealership stores in China with arrangements to operate 10 BMW dealership stores and ranked 21st in terms of 2009 turnover in the highly fragmented PRC automobile dealership industry. Sales of BMW and MINI branded automobiles accounted for 50.9% of our sales of new automobiles for the six months ended 30 June 2010, while sales of Audi branded automobiles accounted for 8.4% for the same period. In addition to our premium brands dealership stores, we also operate dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet. Sales of Nissan, Buick, Hyundai, Honda and Chevrolet branded automobiles accounted for 15.7%, 9.6%, 3.6%, 3.2% and 3.0% of our sales of new automobiles for the six months ended 30 June 2010 respectively. Since 1999 when we established our first dealership store in Shanghai, we have successfully expanded our automobile dealership business to regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population. Our automobile dealership business covers 14 cities in both the large, established automobile markets of the affluent regions of China as well as the rapidly developing regions, such as Beijing, Shanghai, Guangzhou, Zhuhai, Dongguan, Shantou, Baotou, Nanchang, Chenzhou, Yichang, Hohhot, Changsha, Wuhan and Shiyan.

Each of our dealership stores is a 4S dealership store that integrates four principal automobile-related businesses, i.e. sales, spare parts, service and survey, and offers a broad range of sales and services, including (i) sales of new automobiles, (ii) after-sales services, which include maintenance and repair services and sales of spare parts and accessories, and (iii) automobile agency services, which include automobile financing, insurance and registration agency services. Our ability to offer comprehensive automotive solutions to our customers and customer-focused business model foster long-term relationships with our customers and enable us to generate robust recurring turnover. Our dealership stores have received multiple recognitions and awards: our Yichang BMW dealership store was named one of the top 10 BMW dealership stores for dealer quality in China by BMW in 2009 and our Hubei Audi dealership store received the Silver Prize in Audi’s marketing competition in 2009. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from sales of new automobiles was RMB 2,650.6 million, RMB 2,661.8 million, RMB 4,270.5 million and RMB 2,684.6 million respectively, representing 91.1%, 87.4%, 85.8% and 85.8% of our total turnover in such periods. For such periods, the gross profits of our sales of new automobiles were RMB 90.9 million, RMB 103.6 million, RMB 198.1 million and RMB 148.0 million, accounting for 51.8%, 47.0%, 47.8% and 51.2% of our total gross profits. Turnover generated from after-sales services was RMB 205.8 million, RMB 267.8 million, RMB 380.4 and RMB 242.9 million respectively, representing 7.1%, 8.8%, 7.6% and 7.8% of our total turnover in such periods. For such periods, the gross profits of our after-sale services were RMB 72.8 million, RMB 99.7 million, RMB 149.3 million and RMB 101.2 million, representing gross margins of 35.4%, 37.2%, 39.2% and 41.6% respectively, accounting for 41.4%, 45.3%, 36.0% and 35.0% of our gross profits in the respective periods.

To further strengthen our relationships with automobile manufacturers and complement our automobile dealership business, we established our logistics services business in 2002. Leveraging the existing network of our automobile dealership stores and logistics services business, we established

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our lubricant oil trading business in 2008 to capture the increasing market demand and enhance our after-sales services. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our logistics services business was RMB 52.8 million, RMB 83.7 million, RMB 128.4 million and RMB 73.8 million respectively, representing 1.8%, 2.7%, 2.6% and 2.4% of our total turnover in such periods and turnover generated from our lubricant oil trading business was nil, RMB 32.3 million, RMB 201.8 million and RMB 126.6 million respectively, representing nil, 1.1%, 4.0% and 4.0% of our total turnover in such periods.

With our track record, our experiences in the automobile dealership industry and the relationships we have fostered with automobile manufacturers, we believe that we are well positioned to secure additional dealership rights from automobile manufacturers. As of 30 June 2010, we operated 22 dealership stores and we have entered into letters of intent which will allow us to open one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, the operations of which are expected to commence by the end of 2010.

Our rapid expansion and highly efficient operations have enabled us to capture the opportunities in China’s fast-growing automobile market. Our turnover increased from RMB 2,909.2 million in 2007 to RMB 3,045.6 million in 2008 and to RMB 4,981.2 million in 2009, representing a CAGR of 30.9%, while our profit from operations for the same periods amounted to RMB 75.7 million, RMB 87.0 million and RMB 225.0 million respectively, representing a CAGR of 72.4%. Our turnover increased from RMB 2,045.0 million for the six months ended 30 June 2009 to RMB 3,127.9 million for the six months ended 30 June 2010, while our profit from operations increased from RMB 61.6 million to RMB 185.8 million for the same periods.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to enable us to compete effectively and capitalize on future growth opportunities in the automobile industry.

Major dealership group focused on China’s fast-growing premium passenger automobile segment

We are the second largest BMW dealer and a major 4S dealership group in China focused on premium brands. According to ACMR, we ranked second in terms of the number of BMW 4S dealership stores in China and ranked 21st in terms of 2009 turnover in the highly fragmented PRC automobile dealership industry. The premium brands that we distribute, such as BMW and Audi, are among the most popular ones in China, accounting for 66.1%, 61.4% and 62.0% of total newly registered premium automobiles in China in 2007, 2008 and 2009 respectively, according to ACMR. We are licensed to operate 10 BMW dealership stores in six provinces and regions in China. Our ability to strategically expand into attractive markets in China and our ability to select premium brands have enabled us to grow at a faster rate than the overall premium brands automobile market. We have rapidly expanded our operations from operating 3 premium brands dealership stores prior to 1 January 2007 to 12 premium and ultra premium brands dealership stores as of 30 June 2010, and we

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have entered into letters of intent which will allow us to open one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, which we expect to commence operation by the end of 2010. We achieved an annual growth rate of 68.7% for our sales of premium branded automobiles from 2008 to 2009, compared to 28.4% for the premium branded automobile segment as a whole.

Our success in the premium brands segment is anchored by our expertise in understanding the needs of premium branded automobile purchasers, marketing effectively to them, and providing them with quality services they expect. By partnering with banks and other financial institutions, we are able to identify and target prospective purchasers of premium brand automobiles and effectively introduce to them our premium automobile brands and our dealership stores through joint promotions and other marketing activities. In addition, we maintain a centralized database of potential and existing customers, including histories of telephone calls, visits to our dealership stores and attendance at our promotional events, which we utilize to identify and market to prospective purchasers.

Our position as a major dealership group and our focus on premium branded automobiles have enabled us to generate strong profits and enhance our margins. Automobile manufacturers generally depend on a fewer number of large dealership stores, for their premium brands rather than a larger number of small dealership stores, which helps to maintain the aura of exclusivity of their brands and ensures sufficient exhibition space to showcase premium branded automobiles. Moreover, as premium branded automobile purchasers are generally less price sensitive, more likely to purchase optional add-ons to their automobiles and more likely to utilize after-sales services, the potential profit from the sale of a premium branded automobile exceed those from the sale of a middle market or low end branded automobile. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our automobile dealership business generated gross profits of RMB 163.6 million, RMB 203.3 million, RMB 347.4 million and RMB 249.2 million, representing gross profit margins of 5.7%, 6.9%, 7.5% and 8.5% respectively.

Strategic network of 4S dealership stores covering affluent regions as well as rapidly developing regions of China

We are the only BMW 4S dealership group with coverage across six provinces and regions in China. Our network of 4S dealership stores provides us with a strong presence in both the large, established automobile markets of the affluent regions as well as the rapidly developing regions of China. In the affluent regions, we strive to establish regional leadership through multiple dealership stores for multiple brands or prominent dealership stores to reach a wide base of customers. Our dealership stores, including stores that are expected to commence operations by the end of 2010, include four dealership stores in Shanghai that retail premium and middle market brands such as Audi, Nissan and Honda, four dealership stores in Guangdong province that retail premium and ultra premium brands such as BMW, Audi and Porsche and one BMW dealership store in Beijing. In the rapidly developing and underserved regions, we believe that we are the first mover and have established a leading position through dealership stores in regions such as Inner Mongolia, Hunan, Hubei and Jiangxi, where the GDP per capita increased at a CAGR of 25.2%, 17.6%, 18.1% and 16.2% respectively from 2005 to 2009, higher than the national average of 14.6%, and where household

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automobile penetration rates were 8.0%, 4.1%, 3.5% and 3.1%, lower than the national average of 8.8%. We believe that our dealership network not only provides us with a strong presence in China’s large and established automobile markets but also positions us well for continued growth in China’s fast growing automobile markets.

Scalable and highly efficient operations through disciplined and information-based business practices

We continuously optimize and streamline our business by monitoring, collecting and recording a broad array of quantitative and qualitative data in key aspects of our business. Through the analysis of this data, we are able to identify the primary drivers for our business. We consistently adjust our operations by taking into account the results of our analysis. Such systematic approach to our operations has enabled us to efficiently ramp up new dealership stores and rapidly build up the scale of our business. Our business practices are supported by our information technology system, which we have developed in-house to ensure that it is customized to our operations and can be timely updated so as to meet the rapidly changing market environment and our business needs. Our information technology system, which is comprised of systems for customer relationship management, automobile sales and after-sales services management, human resources, corporate treasury and business development and automates, integrates and systematizes our business practices in the key areas. For example, our customer relationship management system analyzes a broad range of factors to segment prospective customers based on their probability to purchase, which enables us to efficiently allocate our sales resources and to tailor our marketing approaches to different customers. Our customer relationship management system prompts our sales personnel to contact prospective customers at different frequencies and with different marketing messages based on their profile, and automatically generates reminders to promote our after-sales services on a regular basis. We then analyze our communications to refine our customer segmentation algorithms and train and evaluate our sales personnel to continuously improve their sales performance. Based on the analysis of the data that we collect through our information technology system, we are able to identify and exploit market trends and rapidly adjust our sales strategies, procurement, inventory and staffing to maximize our operation efficiency. Our highly efficient operations have enabled us to grow our gross profit at a CAGR of 53.7% and our net profit at a CAGR of 117.5% from 2007 to 2009.

Well-established relationships with automobile manufacturers

We have developed well-established relationships with automobile manufacturers. In 2004, we became one of the first dealership groups to establish BMW dealership stores in China that retail a full line of imported and domestically produced BMW models. According to ACMR, we are the second largest BMW dealer in terms of the number of 4S dealership stores in China. As of 30 June 2010, we operated 9 BMW dealership stores out of the approximately 140 BMW dealership stores in China, and we have also entered into a letter of intent which will allow us to open one BMW dealership store in Guangzhou, which we expect to commence operation by the end of 2010. We have become one of the largest operators of BMW dealership stores in China, with a leading market position in regions such as Hubei, Hunan and Inner Mongolia based on the number of dealership stores we operate. As of 30 June 2010, we have also been selected by BMW as one of the eight dealership groups authorized to sell limited volume of BMW “M” series model in China. We commenced our relationship with Audi with the establishment of our first premium brands dealership store in 2002, and as of 30 June 2010,

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we operated two Audi dealership stores in Wuhan and Shantou and have entered into a letter of intent which will allow us to open one more Audi dealership store in Shanghai. Our collaboration with Dongfeng Nissan and its predecessor began as early as 1999, when we became one of the first companies to enter into dealership arrangements with the predecessor of Dongfeng Nissan, and as a result, we established our first dealership store, which primarily retails Nissan and Dongfeng automobiles in Shanghai. In 2002, we started to provide automobile logistics services to Dongfeng Nissan.

Our ability to operate commercially successful and highly efficient dealership stores during the Track Record Period has enabled us to maintain and strengthen our relationships with automobile manufacturers. Our automobile logistics services business and lubricant oil trading business complement our dealership business and provide further opportunities for us to foster and solidify our relationships with automobile manufacturers. We believe that as automobile manufacturers become increasingly selective in granting dealership authorizations, particularly for their premium brands, our close and established relationships with automobile manufacturers is one of our key competitive advantages in obtaining new dealership authorizations to further expand our dealership network.

Customer-focused business model providing us with an increasing and recurring turnover from our customers

We focus on building life time relationships with our customers and emphasize serving their long-term automotive needs. Our customer relationship management system keeps detailed records of the purchase histories and preferences of our customers, which helps us to understand the needs of our customers and helps us to develop targeted customized communications. After the sale of a new automobile is completed, we actively engage our customers with initiatives such as providing the first maintenance service, which is generally paid by relevant automobile manufacturer, introducing to our customers the quality of our after-sales services, sending periodic reminders of upcoming scheduled maintenance and inviting customers to exhibitions of new automobile models. While offering comprehensive products and services to our customers, we also try to foster the loyalty of our customers through our customer services teams who provide a personalized customer experience. We continuously enhance the quality of our customer services through collecting feedbacks from multiple channels, including in-store interviews and our customer services hotline.

Our customer-focused business model provides us with an increasing recurring turnover from our customers. The turnover generated from the provision of maintenance services and sale of spare parts were RMB 205.8 million, RMB 267.8 million and RMB 380.4 million for the years ended 31 December 2007, 2008 and 2009 respectively, representing a CAGR of 36.0%. For the six months ended 30 June 2010, the turnover generated from the provision of maintenance services and sales of spare parts was RMB 242.9 million.

Experienced management team supported by talented and well-trained employees

Our business is led by a management team comprised of industry veterans with extensive experience, including experience in senior management positions of automobile manufacturers and other dealership groups. Our management team is led by our chief executive officer Mr. Wang Kunpeng, who has over 13 years of experience in the PRC automobile industry, including as the

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general manager of Liaoning and the Central South China region of FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限公司). In addition, our chief operating officer Mr. Mok Kwok Choi Peter has over 8 years of experience in the operation of premium branded automobile dealership stores, including in senior management positions at another major dealership group. Our chief investment officer Mr. Liu Dongli has over 10 years of experience in the automobile industry and is the vice chairman of the China Auto Dealers Chambers of Commerce.

Our management team is supported by a team of talented and well-trained individuals across all levels of our organization. We recognize that our employees are the key in maintaining the success of our business, and therefore we focus on the identification, recruitment and training of talented individuals. We rotate experienced, proven dealership store managers and sales personnel to the newly opened dealership stores. This has reduced the ramp-up period required by new dealership stores to breakeven, and has also provided our employees with opportunities for professional development and career advancement. Our sales advisors receive regular feedback from supervisors and attend trainings to enhance their ability to identify and respond to the needs and preferences of our customers. We work with automobile manufacturers to train our automotive engineers and technicians to ensure that we provide efficient and proper maintenance and repair services. We believe that the continuous development of our employees provides us with a solid foundation for the continued success of our business.

OUR STRATEGIES

We aim to become the leading premium brands 4S dealership group in China and capture the opportunities in the China’s large and fast-growing premium brands automobile market by pursuing the following strategies:

Open additional dealership stores and add premium and ultra premium brands to our current dealership network.

We will continue to open new stores not only in the regions where we have operations but also in the regions that pose strong growth opportunity. As to the premium brands dealership store expansion in our existing markets, we believe that we are able to maximize our regional geographic coverage by leveraging our experiences, our scale and our first mover advantages gained particularly in the rapidly developing and underserved regions. We also intend to further optimize our middle market brands network. By doing so, we will be able to solidify our leadership positions in these regions. We base the selection of store location in new regions on our deep study and analysis of the local markets.

Moreover, we intend to set up dealership stores for additional premium brands, including the premium brands of the European automobile manufacturers, to take advantage of the growing demand for greater varieties of premium brands, which is driven by the individualized needs and preferences of the increasingly affluent Chinese population. At the same time, we plan to establish more ultra premium brands dealership stores. We believe that our successful track record in operating premium brands dealership stores and our successful experiences gained from operating our first ultra premium brands dealership store, which commenced selling Porsche automobiles in May 2010, have equipped

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us well to obtain authorizations from the ultra premium brands automobile manufacturers. The addition of ultra premium brands stores into our dealership network will complement our premium brands dealership stores by providing more brands choices to our existing customers who may be interested in ultra premium branded automobiles.

We will grow our dealership network by opening new stores as well as by selective acquisition of the dealership stores operated by our competitors. We believe that our industry experiences and operational expertise will enable us to identify attractive acquisition targets and realize synergies from such acquisitions.

Further strengthen our relationships with automobile manufacturers

We intend to further improve our collaboration with automobile manufacturers in respect of their operations as well as their strategic initiatives. Operationally, we will continue to seek opportunities to improve the integration of our information technology system, sales and marketing activities and other business processes with those of automobile manufacturers. For example, we intend to collaborate with our automobile manufacturers to jointly develop training programs, which we believe will not only facilitate the training of our personnel but also enable our automobile manufacturers to better understand and adapt to our processes, and as a result improving our communications with them. Strategically, we will continue to develop mutually beneficial business opportunities with our automobile manufacturers. For example, we can assist our automobile manufacturers to expand into new markets by leveraging our local knowledge and experiences. We can also support the operations of automobile manufacturers by leveraging our automobile logistics services business and lubricant oil trading business. With our stronger relationships with automobile manufacturers, and our proven track record and experience, we aim to become the dealership group of choice for automobile manufacturers.

Diversify our turnover by developing a pre-owned automobile business, optimizing and expanding our after-sales services and enhancing our customer services

We intend to enter into the pre-owned automobile business to take advantage of the growing demand for pre-owned premium branded automobiles in China. We will also evaluate opportunities with regard to establishing dealership stores that specialize in sales of pre-owned automobiles and creating an online sales platform. We will further optimize our existing after-sales services, such as enhancing our sales and marketing efforts and further streamlining our maintenance and repair operations. We also plan to develop new business opportunities such as offering extended warranties and providing emergency repair services. For example, we plan to establish a 24-hour customer service call center, which will enhance our ability to address customer emergencies in a timely manner. By broadening the offering of products and services, we seek to provide comprehensive solutions to our customers and enhance the loyalty of our customers to further increase the value of our customer franchise.

Further improve the operating efficiency of our dealership stores and reduce operating costs

We will continue to focus on further enhancing the efficiency of our operations. We will regularly conduct centralized analysis of all aspects of our business processes to identify improvement

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opportunities. The centralized information system enables us to coordinate the resources of our Group and to discover and share best practices within our dealership network. We will continue to leverage our experiences to further reduce the time required by a new dealership store to breakeven, which will enable us to accelerate the expansion of our dealership network. We also intend to continue to leverage the economies of scale of our dealership network to further reduce our operating cost in respect of improving the accuracy of our sales forecasts, streamlining our procurement and inventory management processes and negotiating favorable volume incentive rebates or discounts and other terms with automobile manufacturers and other suppliers. In addition, we will also continue to invest in our information technology system to support our business practices and expansion plans as well as the development of our on-line sales platform.

Continue to attract, train and retain talented employees to support our continued 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 talented management personnel, sales personnel and automotive engineers and technicians to support our continued growth and expansion. We intend to enter into additional collaborations with vocational schools to strengthen our access to talent pools. We will also continue to invest in our training programs. In addition, we will further our cooperation with our premium brands automobile manufacturers to provide more sophisticated and comprehensive training opportunities for our employees. We plan to continue to evaluate and refine our human resources management processes to strengthen our ability to identify and promote talented employees. We will continue to regularly evaluate the performance of our employees and provide them with a clear career path within our Company. We will also continue to evaluate our merit-based compensation system to ensure that incentives are aligned with their performance.

OUR AUTOMOBILE DEALERSHIP BUSINESS

We are a major 4S dealership group in China focused on premium brands such as BMW, MINI and Audi. In addition to our premium brands dealership stores, we also operate dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet. Each of our dealership store is a 4S dealership store that integrates four principal automobile-related businesses, i.e. sales, spare parts, service and survey, and offers a broad range of sales and services, including (i) sales of new automobiles, (ii) after-sales services, which include maintenance and repair services and sales of spare parts and accessories, and (iii) automobile agency services, which include automobile financing, insurance and registration agency services.

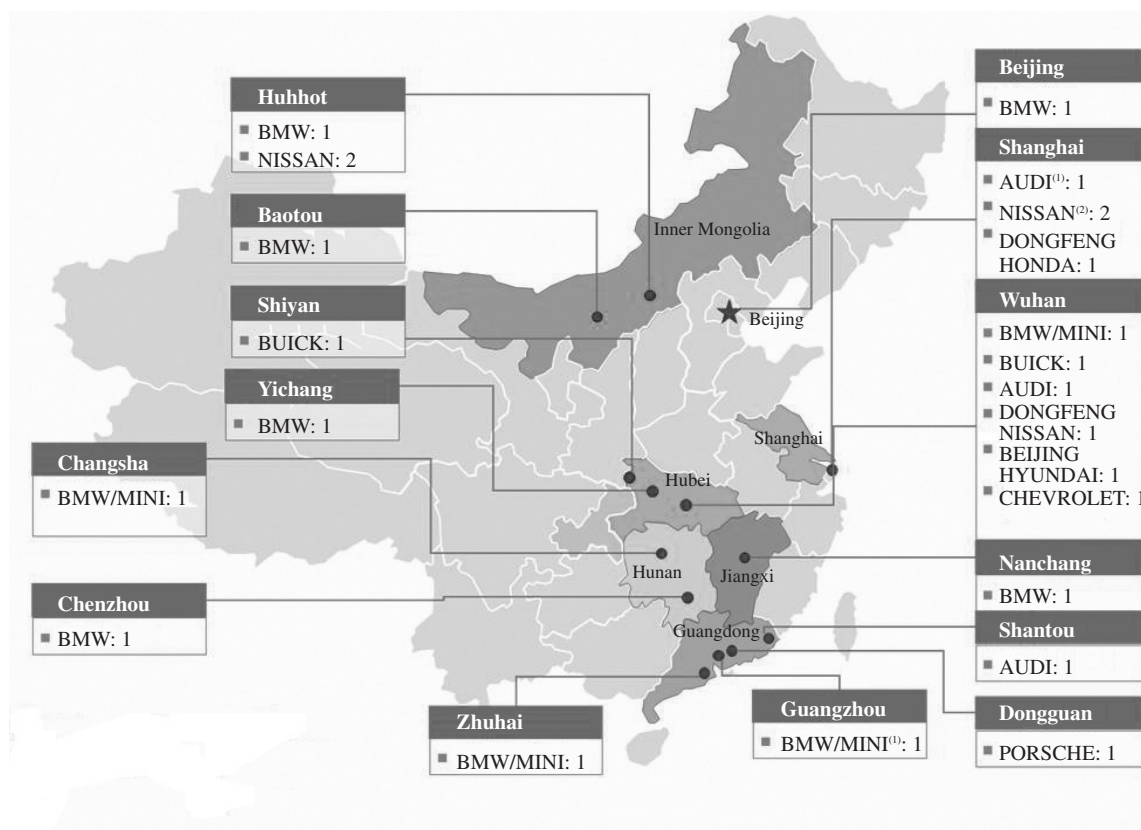
Our dealership stores have won multiple awards and recognitions, including the following:

- our Yichang BMW dealership store was named by BMW as one of its top ten 4S dealership stores in China in terms of dealership quality in 2009; and
- our Hubei Audi dealership store received the Silver Prize in Audi’s marketing competition in 2009.

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We select locations of our dealership stores based on extensive statistical analysis of the local market. We consider factors such as economic output, consumption and price levels, growth in passenger automobile licenses and the existence of other dealership stores. Since 1999 when we established our first dealership store in Shanghai, we have successfully expanded our automobile dealership business to 14 cities in both the large, established automobile markets of the affluent regions of China as well as the rapidly developing regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population.

The following map sets forth the information with respect to our dealership stores as of 30 June 2010.



Notes:

- (1) Dealership store not yet in operation
- (2) KIA branded automobiles also retailed at one of these dealership stores, the authorization agreement of which will not be renewed after the expiry of such agreement on 24 November 2010.

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As of 30 June 2010, we operated 22 dealership stores, and have entered into letters of intent which will allow us to open one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai in May 2009 and January 2009 respectively. These dealership stores are expected to commence operations by the end of 2010, when we expect to receive all requisite approvals relating to these dealership stores from the local government authorities. The commencement of operations for these two dealership stores have been delayed because the local government authorities have delayed granting construction approvals due to the Asian Games in Guangzhou and the World Expo in Shanghai respectively. We plan to fund the expansion of these two dealership stores through a combination of bank borrowings and cash from our existing operations.

The following table sets forth the breakdown of the number of 4S dealership stores in operation as of the dates indicated.

	As of 31 December				As of 30 June
	2006	2007	2008	2009	2010
Ultra premium brands 4S dealership store	—	—	—	—	1
Premium brands 4S dealership stores	3	6	7	8	11
Middle market brands 4S dealership stores.....	8	9	9	9	10
Total	11	15	16	17	22

We have been focusing on expanding our premium brands 4S dealership stores while continuing to optimize the network of our middle-market brands dealership stores. The majority of our middle market dealerships stores were established earlier in our history, prior to the shift in our strategic focus on the operation of premium brands dealership stores. Since 1 January 2007, we have established only two additional 4S dealership stores for Nissan, while establishing eight additional premium brands 4S dealership stores, including dealership stores for BMW, MINI and Audi, and our first ultra premium brands dealership store for Porsche.

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The following table sets forth the details of our 4S dealership stores:

Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
Ultra Premium	Porsche ⁽²⁾				
	Dongguan Jieyunhang Automobile Sales Services Co., Ltd.	Dongguan	Guangdong	May 2010	N/A
Premium	BMW				
	Beijing Baozhang Automobile Sales Services Co., Ltd.	Beijing	Beijing	June 2010	31 December 2010 ⁽³⁾
	Baotou Baoze Automobile Sales Services Co., Ltd.	Baotou	Inner Mongolia	February 2010	31 December 2013
	Nanchang Baoze Automobile Sales Services Co., Ltd.	Nanchang	Jiangxi	October 2008	31 December 2012
	Chenzhou Ruibao Automobile Sales Services Co., Ltd.	Chenzhou	Hunan	July 2007	31 December 2012
	Yichang Baoze Automobile Sales Services Co., Ltd.	Yichang	Hubei	June 2007	31 December 2012
	Hohhot Qibao Automobile Sales Services Co., Ltd.	Hohhot	Inner Mongolia	January 2007	31 December 2010 ⁽³⁾
	BMW/MINI				
	Zhuhai Baoze Automobile Sales Services Co., Ltd.	Zhuhai	Guangdong	March 2009	31 December 2012
	Changsha Ruibao Automobile Sales Services Co., Ltd.	Changsha	Hunan	January 2006	31 December 2012
	Wuhan Baoze Automobile Sales Services Co., Ltd.	Wuhan	Hubei	March 2005	31 December 2010 ⁽³⁾
Guangzhou Baoze Automobile Sales Co., Ltd.	Guangzhou	Guangdong	Operation to be commenced	N/A ⁽⁴⁾	

Notes:

- (1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.
- (2) Dealership store operating under a memorandum of understanding which permits us to operate the dealership store pending negotiation and entry to the dealership authorization agreement. We expect to enter into a dealership authorization agreement before December 2010, after the completion of certain procedural and routine registrations with applicable local government authorities.
- (3) We are currently under the process of renewing the authorization agreement which is expected to be renewed before 31 December 2010.

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Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
Middle-market	Audi				
	Shantou Hongxiang Materials Co., Ltd.	Shantou	Guangdong	Acquired in June 2010 ⁽⁵⁾	3 August 2012
	Hubei Dingjie Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2003	1 January 2012
	Shanghai Aohui Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	Operation to be commenced	N/A ⁽⁴⁾
	Dongfeng Nissan				
	Inner Mongolia Dingze Automobile Sales Services Co., Ltd.	Hohhot	Inner Mongolia	March 2010	1 March 2011
	Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	May 2007	1 March 2012
	Wuhan Kaitai Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2004	1 March 2012
	Inner Mongolia Dingjie Automobile Trading Co., Ltd.	Hohhot	Inner Mongolia	December 2003	1 March 2011
	Shanghai Shenxie Automobile Trading Co., Ltd.	Shanghai	Shanghai	June 2000	1 March 2012
	Dongfeng Honda				
	Shanghai Luda Automobile Sales Services Co., Ltd.	Shanghai	Shanghai	January 2005	Indefinite
	Buick				
Shiyuan Shenxie Automobile Trading Co., Ltd.	Shiyuan	Hubei	March 2005	4 January 2011	
Hubei Bocheng Automobile Sales Services Co., Ltd.	Wuhan	Hubei	January 2004	In the process of being renewed	

Notes:

- (1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.
- (3) We are currently under the process of renewing the authorization agreement which is expected to be renewed before 31 December 2010.
- (4) We expect to enter into a dealership authorization agreement before December 2010, after the completion of certain procedural and routine registration with applicable local government authorities.
- (5) Maintaining regular operation since acquisition.

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Segment	Brand/Dealership	Location		Date of Commencement of Operations ⁽¹⁾	Expiry Date of Dealership Agreement
		City	Province		
	Chevrolet				
	Hubei Jierui Automobile Sales Services, Ltd.	Wuhan	Hubei	March 2006	15 February 2012
	Beijing Hyundai				
	Hubei Xinrui Automobile Sales Services Co., Ltd.	Wuhan	Hubei	August 2004	31 December 2012

Dealership-related Agreements

Each dealership store generally sells only one automobile brand and typically is only permitted to operate at a single point of sale. The operations of each of our dealership stores are governed principally by a dealership authorization agreement with the relevant automobile manufacturer.

Under our existing dealership authorization agreements governing our dealership stores, we may be:

- prohibited from retailing more than one brand of new automobile in a particular dealership store;
- required to provide designated services to customers, including sales of new automobiles, sales of spare parts and after-sales services;
- required to meet the design standards of our dealership stores required by the automobile manufacturer;
- required to follow annual sales plans that are set by the automobile manufacturer; however, our dealership agreements typically do not subject us to minimum purchases or sales requirements;
- entitled to use the trade names, trademarks and other brands of the automobile manufacturer in a manner consistent with the standards set by the automobile manufacturer to promote the automobiles we sell through our dealership stores; and

Note:

(1) Date of commencement of operations is the date when the dealership store first generates turnover, which is usually after the date of establishment of the dealership store.

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- prohibited from knowingly selling automobiles to any customer whose intention is to resell or export automobiles to outside the PRC.

Our dealership authorization agreements are non-exclusive and typically have a term of one to three years, subject to renewal. Under these agreements, automobile manufacturers may define and adjust the geographical coverage within which our dealership store is operated as well as recommend price guidelines for new automobiles; but these agreements generally do not subject us to minimum purchase requirements. Automobile manufacturers also have rights to conduct site-visits of our dealership stores to evaluate the performance of our dealership stores and confirm compliance with applicable agreements and provide a variety of suggestions to our dealership stores. By taking into account the results of their reviews, automobile manufacturers may also conduct random site-visits and consider whether to renew their agreements with us. Moreover, automobile manufacturers have the right to terminate their agreements with us with written notice for a variety of reasons, including failure to rectify deficiencies and unapproved changes in our ownership or management structure that affect our ability to meet our contractual obligations in these agreements. As of the Latest Practicable Date, all of our agreements governing our dealership stores have been renewed or are in the process of being renewed with the relevant automobile manufacturers. During the Track Record Period, none of our dealership authorization agreements had been terminated by any automobile manufacturer, nor did any automobile manufacturer refuse to renew any of our dealership authorization agreements.

Dealership Sales and Services

Our dealership stores offer a broad range of sales and services, which primarily consist of (i) sales of new automobiles, (ii) after-sales services, which include maintenance, repair services and sales of spares parts and accessories (iii) automobile agency services, which include automobile financing, insurance and registration agency services.

Sales of new automobiles

We generate the majority of our gross profit in our dealership business from sales of new automobiles. The price for a particular new automobile is generally thus based on a variety of factors, including the automobile manufacturer’s recommended selling price, the demand for a particular model, the number of automobiles of the same model in inventory and whether the model is imported or produced domestically by automobile manufacturers and/or their PRC joint venture corporations. In addition, for most of the new automobiles that we sell, we also sell and install optional accessories to tailor the automobile to the personal preferences of our customers. We have the flexibility in adjusting the selling price notwithstanding recommended selling price by the automakers to the extent that we do not adversely affect the automobile manufacturer or its brands.

The premium brands that we sell have experienced robust sales growth in the PRC. According to ACMR, between 2005 and 2009, the sales value of premium branded automobiles increased at a CAGR of approximately 38.2% in China, as compared to 29.0% for the sales value of middle-market branded automobiles. The sales value of premium branded automobiles accounted for 18.5% of the total sales value of automobiles in the PRC overall. For the years ended 31 December 2007, 2008 and 2009, the gross profit from our sales of new premium branded automobiles were RMB 59.1 million, RMB 72.6 million and RMB 108.7 million, accounting for approximately 65.0%, 70.1% and 54.9% of

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our gross profit from our sales of new automobiles respectively, and the gross profit from our sales of new middle market branded automobiles were RMB 31.8 million, RMB 30.9 million and RMB 89.4 million, accounting for approximately 35.0%, 29.9% and 45.1% of the gross margin from our sales of new automobiles respectively. For the six months ended 30 June 2010, the gross profit from our sales of new premium branded automobiles was RMB 107.2 million, accounting for approximately 72.4% of our gross profit from our sales of new automobiles, and the gross profit from sales of new middle market branded automobiles was RMB 40.8 million, accounting for approximately 27.6% of the gross margin from our sales of new automobiles.

The following table sets forth the turnover breakdown by various brands of automobiles sold by us during the Track Record Period.

	For the Year Ended 31 December						For the Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in millions)	% of Total	RMB (in millions)	% of Total	RMB (in millions)	% of Total	RMB (in millions)	% of Total	RMB (in millions)	% of Total
	<i>(unaudited)</i>									
Premium and ultra premium brands										
Porsche.....	—	—	—	—	—	—	—	—	63.1	2.4
BMW/MINI	904.1	34.1	1,134.0	42.6	1,869.0	43.8	718.1	41.7	1,367.1	50.9
Audi	205.1	7.7	194.3	7.3	371.2	8.7	152.9	8.8	226.1	8.4
Sub-total	<u>1,109.2</u>	<u>41.8</u>	<u>1,328.3</u>	<u>49.9</u>	<u>2,240.2</u>	<u>52.5</u>	<u>871.0</u>	<u>50.5</u>	<u>1,656.3</u>	<u>61.7</u>
Middle market brands										
Nissan	574.6	21.7	617.2	23.2	883.0	20.7	377.0	21.9	421.7	15.7
Buick.....	239.3	9.0	214.3	8.1	498.7	11.7	190.0	11.0	256.5	9.6
Hyundai.....	129.8	4.9	121.7	4.6	197.5	4.6	90.1	5.2	97.0	3.6
Chevrolet.....	94.9	3.6	93.9	3.5	141.8	3.3	56.7	3.3	79.4	3.0
Honda.....	159.7	6.0	154.3	5.8	159.6	3.7	75.9	4.4	85.3	3.2
Others ⁽¹⁾	343.1	13.0	132.1	4.9	149.7	3.5	62.4	3.7	88.4	3.2
Sub-total	<u>1,541.4</u>	<u>58.2</u>	<u>1,333.5</u>	<u>50.1</u>	<u>2,030.3</u>	<u>47.5</u>	<u>852.1</u>	<u>49.5</u>	<u>1,028.3</u>	<u>38.3</u>
Total turnover from sales of new automobiles	<u>2,650.6</u>	<u>100.0</u>	<u>2,661.8</u>	<u>100.0</u>	<u>4,270.5</u>	<u>100.0</u>	<u>1,723.1</u>	<u>100.0</u>	<u>2,684.6</u>	<u>100.0</u>

Note:

- (1) includes trucks and Peugeot branded automobiles, sales of which were discontinued in 2008, the authorization agreement of which will not be renewed after the expiry of such agreement on 24 November 2010.

After-sales services

Our dealership stores also provide after-sales services to our customers, which primarily consist of maintenance services, repairs under manufacturer’s warranty, other repair services and sales of spare parts and accessories. The primary customers for our after-sales services are customers who have previously purchased new automobiles from our dealership stores. Our maintenance and repair

OUR BUSINESS

services are conducted by our automotive engineers and technicians who are trained in maintaining and repairing the brands of automobiles retailed by our dealership stores. We believe that our focus on providing quality maintenance and repair services to achieve high customer satisfaction not only retains existing customers for repeat purchases but also attracts new customers through referrals. The quality of our maintenance and repair services is also a factor considered by automobile manufacturers in determining whether to enter into new dealership authorization agreements with us or renew our existing dealership authorization agreements. As part of our maintenance and repair services, our dealership stores may also assist automobile manufacturers to coordinate recalls of automobiles. In addition, we sell in our 4S dealership stores spare parts and accessories sourced from automobile manufacturers or suppliers that are Independent Third Parties.

Maintenance services

We provide regularly scheduled maintenance services for premium branded automobiles typically at each 10,000 kilometers and the middle market branded automobiles at each 5,000 kilometers (or after each three months). The maintenance services include oil changes, replacement of spark plugs and air filters and tire rotations, as well as routine inspections. We typically also provide the first maintenance service to purchasers of our new automobiles, which is generally at no cost to us but is paid by the relevant automobile manufacturers. We take this opportunity to introduce to them the quality of our services. We send periodic reminders of upcoming schedule maintenance to our customers. We charge a fixed fee for our maintenance services.

Repairs under manufacturer’s warranty

We provide maintenance and repair services under the warranties provided by automobile manufacturers for new automobiles. We are paid by the automobile manufacturers for such services and generate gross profits from the difference between the fees we receive and our cost for providing such services. The product warranty period for new automobiles is typically 24 months, beginning on the date the automobile is delivered to the customer. As at 30 June 2010, there were approximately 45,000 automobiles sold by our Group which are still within the warranty period.

We examine each automobile brought to our dealership stores for repairs to determine the cause of the problem before commencing repairs, as new automobile warranties typically only cover damage from defects in parts or workmanship. The automotive engineers and technicians at our dealership stores have undergone training to help familiarize themselves with the scope of the automobile manufacturer’s warranty coverage and regularly liason with representatives of the automobile manufacturer to determine the scope of warranty coverage. The repair is covered by the product warranty, will be paid to us by the automobile manufacturers, typically within approximately two months after the repair is performed. If the automobile manufacturers reject the claim for payment, we may have to absorb the cost of undertaking the repair. During the Track Record Period, none of our claims for payment for repairs performed under warranty were rejected by the automobile manufacturers.

OUR BUSINESS

Other repairs

We also offer repair services that are not covered by the automobile manufacturer’s warranty, including replacement of parts due to wear and tear or repair of damage resulting from collisions or other accidents. Our repair services are generally priced based on the price of spare parts and the hourly rate of repair services, which ranges from RMB 40 to RMB 100 for middle market branded automobiles and from RMB 200 to RMB 600 for premium and ultra premium branded automobiles.

Sale of spare parts and accessories

Our dealership stores also retail spare parts and accessories including automobile electronics such as GPS navigation devices and sound systems, automobile styling products such as seat covers and floor mats, and branded merchandise such as key chains, clothing and luggage. We source all of our automobile accessories from automobile manufacturers or suppliers that are Independent Third Parties.

Automobile recalls

Our dealership stores may also assist in automobile recalls, which may be conducted from time to time by automobile manufacturers to remedy problems with one or more automobile models. While automobile manufacturers vary in their procedures for conducting recalls, we are typically notified by an automobile manufacturer prior to the commencement of a recall and provided with the details with regard to the recall, such as instructions in repairing or otherwise resolving the problem and responses to expected inquiries from customers. After being notified of a recall, we typically contact our customers who may be affected and ask them to bring their automobiles to our dealership stores to settle problem in accordance with the automobile manufacturer’s instructions. In addition to servicing affected automobiles purchased from us, we also service the affected automobiles purchased from other dealership groups. Moreover, we will repair the affected automobiles in our inventory that are subject to the recall prior to the sale of those automobiles.

Under the applicable PRC laws and regulations, we are generally not liable for any of the costs of the recall and are typically compensated by automobile manufacturers for our assistance in conducting the recall. However, our customers’ confidence in the quality and safety of the automobiles we sell may be impaired due to the recalls, and any product defects or automobile recalls may have an adverse effect on the reputation of the on automobile manufacturers and our Group. As a result, recalls may lead to cancellation of orders placed by our customers and drop in demand for automobiles that we sell, which in turn will reduce our sales and increase our inventory of the automobile models which are subject to the recall. We have to incur costs associated with holding such inventory or have to reduce our selling prices, therefore it could materially and adversely affect our results of operations and financial condition. Our sales of automobiles that have been subject to recalls by automobile manufacturers during the Track Record Period accounted for less than 5.0% of our turnover from sales of new automobiles. We did not experience any cancellation of orders or any material adverse impact on our inventory and sales of new automobiles as a result of the recalls for automobile models we sold.

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The following table sets forth the automobile recalls of automobile models sold by us and commenced by automobile manufacturers from the beginning of the Track Record Period to the Latest Practicable Date.

<u>Brand</u>	<u>Model</u>	<u>Date</u>	<u>Affected components</u>
Audi	Imported TT	October 2009	Oil temperature sensor
Audi	Q7 manufactured between 2006 and 2007 and sold within the PRC	December 2007	Trunk control software
BMW	8-cylinder Series 5 manufactured between 2004 and 2010; 8-cylinder Series 6 manufactured between 2004 and 2010; 8-cylinder Series 7 manufactured between 2002 and 2008; 12-cylinder Series 7 manufactured between 2002 and 2008	October 2010	Vacuum tube
BMW (Domestic)	Series 5 GT manufactured in 2010	August 2010	Oil level sensor
BMW	Series 5	November 2009	Fuel tank sensor
BMW	740Li; 750Li	June 2009	Fuel tank pipelines
BMW	Series 1; Series 3	July 2009	Seat plug/connection of the air cable
Nissan	Yida manufactured between 2004 and 2006; Qida manufactured between 2004 and 2006; Sylphy manufactured in 2006	October 2010	Engine ignition
Nissan	TEANA manufactured in 2010	August 2010	Screw nut
Nissan	TEANA	June 2009	Engine air pipes
Nissan	SUNNY	March 2009	Cantilever

OUR BUSINESS

Automobile Agency Services

In connection with sales of automobiles, our dealership stores also provide automobile agency services such as automobile financing, insurance and registration agency services to customers. We have established alliances with financial institutions and insurance companies to offer our customers financing and insurance for their automobiles. We receive a commission from these financial institutions and insurance companies for each loan or insurance policy brokered by our dealership stores. 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. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, commissions earned by our Group from financial institutions and insurance companies amounted to RMB 14.0 million, RMB 12.4 million, RMB 17.5 million and RMB 13.2 million respectively.

Customer Relationship Management

We place great emphasis on providing our customers with consistent, high-quality customer services and support. We believe that superior customer services in our dealership stores are critical to attracting new customers and retaining our existing customers so as for us to generate repeat businesses. All of our sales consultants, service advisors and technicians undergo trainings on our customer service-oriented philosophy.

Our customer services capabilities are enhanced through the use of our centralized database that collects customer information, including the history of automobile purchases of our customers and the repair and maintenance records of their automobiles. Our sales personnel and customer relationship managers utilize our database to better understand the needs of our customers and provide tailored services for each individual customer. In addition, our database enables us to conduct targeted marketing campaigns, such as invitations to the launches of new automobile models. We continuously evaluate and refine our customer services through interviews, surveys and customer services hotlines.

Inventory Management

We actively monitor our inventories of new automobiles, spare parts and accessories at each of our dealership stores on a real-time basis to ensure cost efficiency, quality control and timely distribution. Generally, we manage our inventory of new automobiles on a rolling monthly basis with new automobiles delivered monthly, based on our management’s expectations of sales at the relevant dealership store. We coordinate our inventories within our dealership network and subject to the consent of automobile manufacturers, we may also transfer automobiles from one dealership store to another to rebalance inventory levels. Our inventory management also integrates our sales and marketing activities, and our sales and marketing teams coordinate with our dealership stores to develop advertising and sales campaigns to promote the sale of specific models of automobiles in our inventory.

OUR BUSINESS

We purchase inventory of new automobiles using a combination of cash and bank acceptance notes which we recorded as bills payable in the combined financial information. The bank acceptance notes are generally secured by bank deposits and inventories and repaid with cash received from customers for their purchases of new automobiles from us. As of 30 June 2010, we had bills payable of RMB 1,561.5 million, pledged bank deposits of RMB 1,024.2 million and inventories of RMB 764.7 million. Upon the repayment of bank acceptance notes, the applicable pledged deposits are released and then used by us to secure new bank acceptance notes for purchases of new inventory or for other working capital requirements. As a result, although the bank acceptance notes are generally secured, if we are unable to generate sufficient sales of our existing inventory of new automobiles to repay our bank acceptance notes within the applicable credit term, which are typically two to three months, we may be required to repay the notes with pledged bank deposits and cash and cash equivalents or through bank borrowings or other sources of financing. 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.

We aim to stock a reasonable level of inventory of new automobiles, spare parts and automobile accessories to timely respond to customer demand. If we overstock inventory, our required working capital will increase and we will incur additional financing costs. If we understock inventory, our ability to meet our customers’ demands may be affected, which may cause us to forgo turnover, thus adversely affecting our reputation, our results of operations and financial condition. See the sections entitled “Risk Factors — Risks Related to Our Business and Industry — Our ability to meet customer demands for new automobiles, spare parts, automobile accessories and lubricant oil is dependent in part on our ability to maintain a reasonable level of inventory of the appropriate model, type or quality of these products”. See the section entitled “Financial Information — Liquidity and Capital Resources — Inventory analysis” in this document.

OUR OTHER BUSINESSES

To further strengthen our relationships with automobile manufacturers and complement our automobile dealership business, we established our automobile logistics business in 2002. Leveraging our automobile dealership network and logistics services business, we established lubricant oil trading business in 2008 to capture the unmet demand in the PRC automobile industry and provide better services to our customers at our 4S dealership stores.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our logistics services business was 1.8%, 2.7%, 2.6% and 2.4% of our total turnover in such period, and turnover generated from our lubricant oil trading business was nil, 1.1%, 4.0% and 4.0% of our total turnover in such period. Our logistics services business and lubricant oil trading business together accounted for 6.8%, 7.7%, 16.2% and 13.8% of our gross profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

OUR BUSINESS

Automobile Logistics Services

Our logistics services business provides a full range of logistics services along the automobile manufacturing supply chain. Clients of our logistics business are primarily automobile manufacturers. We assist our clients in the movement of components from the suppliers to automobile manufacturers, as well as the movement of finished goods, components and parts from automobile manufacturers to end user customers. Our clients typically specify the types and amount of automobiles, components, parts or other goods to be transported and the details of the origin and destination of the goods. Such specifications are then transmitted into our information technology system, we are able to plan the efficient flow of the goods through the client’s supply chain. Our logistics services business is supported by our customized information technology system, which enables us to rapidly and cost efficiently adapt our information technology infrastructure to the needs of our clients. As of 30 June 2010, we are able to serve our clients to reach all provinces in China, except Tibet and Qinghai, through our four representative offices and our fleet of 104 trucks.

In addition to our own fleet of trucks, we have entered into arrangements with select third-party transportation companies to deliver automobiles, components, parts and other goods for our clients. These arrangements typically have a term of three months to one year. At the end of the term, we assess the quality of the services of the third-party transportation companies to determine whether to renew the arrangement. We may from time to time engage additional third-party transportation companies on a project basis to accommodate the urgent or special needs of our clients. These third-party transportation companies are required to comply with our service standards and obtain insurance coverage for damages incurred during the transit. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded a total of RMB 18.6 million, RMB 35.8 million, RMB 39.9 million and RMB 11.1 million respectively in expenses from third-party transportation companies.

We generate turnover in our logistics services through service fees for our logistics services, which are based on a variety of factors, including the volume and type of goods to be shipped, the distances shipped and the speed and mode of transportation.

Lubricant Oil Trading

We operate a lubricant oil trading business in which we purchase, re-sell and distribute Shell-branded automobile lubricant oil. Under the terms of the agreement, we may purchase automobile lubricant oil from Shell at prices set by Shell, subject to adjustment for changes in foreign exchange rates. Our automobile lubricant oil supply agreement with Shell has a term of one year. We leverage our automobile dealership network and logistics services business to gain insights into market trends for automobile lubricant oil and to transport the automobile lubricant oil that we purchase and re-sell.

OUR BUSINESS

INFORMATION TECHNOLOGY SYSTEM

Our in-house information technology system, which we have been enhancing for more than eight years, is an important competitive factor in our business. In addition to business-specific, module-based information technology solutions for both our automobile dealerships and automobile logistics business, we have designed, developed and implemented a centralized information technology system that enables us to conduct sales budgeting, cost control, KPI (key performance indicator) sensitivity, maintenance management and other key business functions. We use our information technology system to collect and analyze data across key areas of our businesses, such as customer relationship, operations and human resources. For example, in our dealership business, our information technology system collects information about potential and existing customers, such as telephone calls, visits to our dealership stores or attendance at promotional events, as well as automobile purchases from our dealership stores and repair and maintenance records of those automobiles. This information is used by our sales personnel and customer relationship managers to better understand the needs of our potential and existing customers and to provide customized communications and services for them on an individual basis. In our logistics services business, we use our information technology system to manage inventory at our warehouses, monitor the status of automobiles, spare parts and automobile accessories transported by us and determine routings to ensure efficient deployment of our trucks and manage data in connection with customs declarations and clearances.

We periodically upgrade our information technology system by taking advantage of the improvements in computer hardware and adapt the software, to meet the changing requirements of our business.

SUPPLIERS AND PROCUREMENT

Our purchases are primarily comprised of new automobiles in dealership business. For the years ended 31 December 2007, 2008 and 2009, our costs incurred in relation to new automobile sales were approximately RMB 2,559.8 million, RMB 2,558.3 million, RMB 4,072.4 million respectively. For the six months ended 30 June 2010, our costs incurred in relation to new automobile sales were approximately RMB 2,536.6 million.

Our top five suppliers are automobile manufacturers that supply us new automobiles and spare parts. For the years ended 31 December 2007, 2008 and 2009, purchases from our top five suppliers accounted for approximately 72.9%, 78.1% and 83.2% of our total purchases respectively, and purchases from our top supplier accounted for approximately 20.4%, 23.6% and 27.7% of our total purchases respectively. For the six months ended 30 June 2010, purchases from our top five suppliers accounted for approximately 76.5% of our total purchases and purchases from our top supplier accounted for approximately 35.7% of our total purchases.

All of our top five suppliers are Independent Third Parties. None of our Directors or their associates or any of our current Shareholders (who to the knowledge of our Directors owns more than 5% of our share capital) has any interest in any of our top five suppliers which is required to be disclosed under the Listing Rules.

OUR BUSINESS

Automobile Dealership Business

Procurement of new automobiles

We procure new automobiles from automobile manufacturers, who set annual non-binding sales targets of new automobiles for each of their associated dealership stores as part of their annual sales plans. These sales targets are the basis for determining the amount of incentive rebates we will receive from the automobile manufacturers and are generally determined after consideration of a variety of factors, including the annual production plans of the automobile manufacturers, the previous purchase orders and track record of the relevant dealership store; and are subject to adjustment by the automobile manufacturers. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded incentive rebates of approximately RMB 107.6 million, RMB 145.6 million, RMB 242.6 million and RMB 119.5 million respectively.

New automobiles are delivered to us based on the orders placed by each of our dealership stores. Consistent with what we believe to be the industry practice, automobile manufacturers often require us to make full payment of the purchase price before delivery of new automobiles to us. Certain automobile manufacturers may also require us to pay a deposit of a fixed amount or a percentage of the purchase price upon the placement of the order.

Procurement of spare parts and automobile accessories

We procure spare parts, automobile accessories and other automobile-related products from automobile manufacturers and suppliers who are Independent Third Parties.

Other Businesses

We have entered into arrangements with selected third-party transportation companies to deliver automobiles, components, parts and other goods for our clients. These arrangements typically have a term of three months to one year. During the Track Record Period, we only had one supplier, Shell, for our lubricant oil business. We procure automobile lubricant oil from Shell pursuant to a one-year supply agreement.

SALES AND MARKETING

Dealership Business

We staff each of our dealership stores with sales personnel who are trained to identify the preferences of a potential customer, recommend automobile models that a potential customer may be interested in and explain the features of each automobile model available in our dealership stores. We design our dealership stores in a way that will prominently display automobile models, including various options and accessories that are available.

OUR BUSINESS

We maintain a database of information about our potential and existing customers, including histories of telephone calls, visits to our dealership stores and attendance at promotional events, which we utilize to identify sales prospects. We also leverage the referrals from our existing customers and our relationships with banks and other financial institutions to identify affluent customers who may be interested in purchasing automobiles from our dealership stores. Our sales and marketing campaigns include personalized telephone, email and mail communications and invitations to promotional events at our dealership stores.

In addition to our targeted sales and marketing communications, we also advertise our services through a variety of advertising channels, including outdoor advertisements, Internet advertisements through arrangements with Internet search engines and automobile-related websites, distribution of marketing materials at our dealership stores, radio commercials and advertisements in newspapers and magazines. Our sales and marketing campaigns are typically tailored to target the regions served by our dealership stores and sell the models of automobiles in accordance with what is available in our inventory. We coordinate our sales and marketing campaigns with the campaigns of automobile manufacturers by incorporating the themes and elements of the national campaigns of the automobile manufacturer and participating in the sales and marketing events that are organized by automobile manufacturers. Our sales initiatives also include complimentary gifts, lucky draws and local promotional events and activities. We typically increase our marketing and promotional activities shortly before the Chinese New Year, the International Labor Day holiday in May, the National Day holiday in October and the Christmas and the New Year holiday season in December, which have historically been peak seasons for purchases of new automobiles.

Other Businesses

Our sales and marketing efforts in our logistics services and automobile oil trading businesses are focused on expanding our customer base, with the goal of providing a broad range of logistics services across the automobile manufacturing supply chain and offering reliable supplies of automobile lubricant oil to customers at attractive prices. We believe that the customers of our logistics services and automobile lubricant oil trading businesses take into account a variety of factors, including our prices, our business capabilities, our strengths, our track record, our reputation, in selecting us to provide logistics services or purchasing automobile lubricant oil from us.

CUSTOMERS

Dealership Business

The target customers of premium brands dealership stores are mainly individuals with annual household income exceeding RMB 300,000, who accounted for 73.3% of purchases of premium branded automobiles according to a survey by ACMR with 645 respondents. The target customers of our middle market brands dealership stores are mainly individuals with annual household income between RMB 150,000 and RMB 300,000, who accounted for 39.2% of purchases of such automobiles, according to this survey. Some of our customers also include corporations and other entities that purchase automobiles from us for their automobile fleets.

OUR BUSINESS

During the Track Record Period, we had also sold automobiles to Independent Third Party dealership stores but have discontinued such sales. Due to the retail nature of our automobile dealership business, we do not have one individual major customer and we cannot readily identify our top five individual customers. As such, we believe that our top five individual customers in our dealership business accounted for less than 5% of our total turnover during the Track Record Period.

Other Businesses

We also provide logistics services for several automobile manufacturers in China, including Dongfeng Nissan, Beijing Hyundai and Shenlong. The primary customer of our lubricant oil trading business is Dongfeng Nissan. We also distribute lubricant oil through our 4S dealership stores. No single customer of our other businesses accounted for more than 5% of our total turnover during the Track Record Period.

COMPETITION

We face competition in both our automobile dealership business and in our other businesses. While we believe that our competitive strengths contribute to our success and distinguish us from our competitors, there can no assurance that we would not be adversely affected by the increasing competition in the PRC automobile industry. See the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile and logistics industries” in this document.

Dealership Business

The PRC automobile dealership industry is competitive. In 2009, there were approximately 82 ultra premium, 826 premium and 6,454 middle market branded dealership stores in China, according to ACMR. China’s accession to the World Trade Organization in November 2001 has further facilitated the entry of foreign entities in the PRC automobile dealership industry.

Our dealership business in China is affected by the competition between particular brands of automobile manufacturers in terms of quality, design and price. Competition among automobile manufacturers is generally less intense for the ultra premium and premium brand automobiles, as compared to middle market and low end brand automobiles, due to fewer brands and lower levels of fragmentation. In 2009, there were 11 ultra premium brands, 12 premium brands, 26 middle market brands and 49 low end brands of automobiles sold in China, according to ACMR. We have focused on establishing dealership stores for the leading premium brands in China, such as Audi and BMW which were the leading premium brands sold in China in 2007, 2008 and 2009, and the sales of Audi and BMW combined together accounted for 66.1%, 61.4% and 62.0% of total newly registered premium branded automobiles in China during the same respective period.

OUR BUSINESS

Our dealership business in China also faces competition from other dealership stores selling the same brands as those of our dealership stores. Competition among dealership stores is generally less intense for premium brands dealership, as compared to middle market brands dealership stores due to fewer number of dealership stores for premium branded automobiles as a result of the fewer number of premium brands as well as higher barriers of entry as a dealer must generally meet more stringent requirements than those for a middle market or low end brands dealership store. In order to obtain dealership authorization for premium automobile brands the dealer must be able to provide personalized customer services, invest in showrooms that highlight the features of premium branded automobiles and offer amenities to customers. Dealers must also establish a reputation and a track record of success, due to the greater reputational damage to the automobile manufacturers if a dealership store fails to perform to the standards of the brand. As a result, the premium brands dealership market is generally less fragmented, with fewer dealership stores groups operating a greater proportion of the premium brands dealership stores in China and generating a greater proportion of sales.

Competition in our dealership business is also affected by regulations applicable to the PRC automobile industry, including those promulgated by the NDRC, MOFCOM and SAIC. See the section headed “Regulatory Overview” in this document. These regulations may affect competition by creating barriers of entry into new markets. In addition, government policies, such as tax incentives for purchases of smaller automobiles and subsidies to residents of rural areas for purchases of automobiles, may shift demand for particular automobile models or in particular regions.

Other Businesses

The automobile logistics services industry in China has become increasingly competitive. Certain of our existing competitors and new competitors may have wider transportation networks, larger customer bases and otherwise have greater resources than we do. In addition, the logistics services industry become subject to the increasing competition from foreign companies. We have responded to the increased competition in the automobile logistics services industry by strategically locating our logistics facilities in close proximity with the manufacturing facilities of our automobile manufacturer customers. The lubricant oil trading businesses is highly fragmented and competitive. In our automobile logistics services and lubricant oil trading businesses, we compete in such areas as prices, business capabilities, strengths, track record and reputation.

INTELLECTUAL PROPERTY RIGHTS

Under our dealership agreements, we are typically entitled to use the trade names, trademarks and other branding materials in a manner consistent with the standards set by automobile manufacturers to promote the automobiles we sell in our dealership stores. Further details of the intellectual property rights of our Group are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix VI to this document.

OUR BUSINESS

ENVIRONMENT AND HEALTH AND SAFETY MATTERS

We have obtained all of the environmental and work safety permits necessary to conduct our business. We are currently in compliance with all applicable environmental and work safety laws and regulations. Our operations are subject to regulations and periodic examinations by local environmental and work safety authorities. If we fail to comply with present or future laws and regulations, we will be subject to fines, suspension of production or cessation of operations.

During the Track Record Period, no administrative sanctions or penalties has been imposed upon us for the violation of safety laws or regulations. We have not incurred and do not expect to incur material cost in connection with the compliance of safety laws and regulations.

PROPERTIES

We owned properties in the PRC with an aggregate gross floor area of approximately 77,279 square meters and leased properties in the PRC with an aggregate gross floor area of approximately 116,439 square meters, as of the Latest Practicable Date. For details of the properties owned or leased by us in our operations, please refer to the property valuation report prepared by Knight Frank Petty Limited contained in Appendix IV to this document.

As of the Latest Practicable Date, an aggregate gross floor area of 63,622 square meters of our owned properties, accounting for 82.3% of the aggregate gross floor area of our owned properties, were subject to defects in title, including:

- We had not obtained title ownership certificates to properties with an aggregate gross floor area of 56,042 square meters, accounting for 72.5% of the aggregate gross floor area of our owned properties.
- Properties we owned with an aggregate gross floor area of 20,910 square meters, accounting for 27.1% of the aggregate gross floor area of our owned properties, had not been converted into state-owned transferring land from state-owned allocated land. Under PRC laws, rules and regulation, this conversion is required in order for the land use rights of those properties to be changed to be the use right of state-owned transferring land and transferred to us.
- Properties we owned with an aggregate gross floor area of 19,038 square meters, accounting for 24.6% of the aggregate gross floor area of our owned properties had not been converted into state-owned construction land from collectively-owned land. Under PRC laws, rules and regulations, this conversion is required in order for the land use rights of those properties to be transferred to us.

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As at the Latest Practicable Date, we operated certain of our 4S dealership stores on properties with defects in title. The following table sets forth the turnover generated from these 4S dealership stores during the Track Record Period.

	For the Year Ended 31 December			For the Six Months Ended 30 June
	2007	2008	2009	2010
	Turnover (RMB in thousands)	1,096,392	1,186,780	1,746,935
Percentage ⁽¹⁾	37.7	39.0	35.1	34.6
Adjusted percentage ⁽²⁾	29.7	31.6	26.7	26.4
Further adjusted percentage ⁽³⁾	19.6	16.0	13.4	8.9

Note:

- (1) Excludes three properties which we constructed on leased land with defects in titles, as they have been taken into account in the turnover generated from 4S dealership stores with defects in the lease. Total turnover generated from these three properties, i.e. properties owned by Guangzhou Baoze, Shanghai Aohui and Shanghai Luda, was RMB 170.9 million, RMB 169.0 million, RMB 173.8 million and RMB 92.2 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively, representing 5.9%, 5.5%, 3.5% and 2.9% of our total turnover for such periods.
- (2) Excludes property used by Hubei Dingjie with a gross floor area of 41 square meters with defects in title, which we plan to dispose of in the near future. Such property is currently used as a reception room for after-sales services. Total turnover generated by Hubei Dingjie was RMB 231.4 million, RMB 224.6 million, RMB 417.6 million and RMB 257.4 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively, representing 8.0%, 7.4%, 8.4% and 8.2% of our total turnover for such periods.
- (3) Excludes properties for which we are in the process of remedying the defects in title, either by obtaining the title ownership certificates, demolishing buildings without appropriate ownership titles or relocating to alternative premises.

Our PRC Legal Advisors have advised us that upon the completion of applicable administrative procedures in converting state-owned allocated land and collectively-owned land into state-owned transferring land by the competent authorities, the execution of applicable agreements between the competent authorities and us relating to the transfer of land use rights of such state-owned transferring land and the payment of relevant land transfer fees and applicable taxes, we will be able to obtain the land use right certificates for such properties. Our PRC Legal Advisors have advised us that with these land use right certificates, together with the submission of construction approvals and certificates for such properties and other requisite documents to the competent authorities, there are no legal impediments to our obtaining the title ownership certificates to such properties. Based on the fact that our Group built these properties at our own expenses, our Directors are of the opinion that the Group owned the beneficial title to these properties.

We do not expect any of these defects in title relating to our owned property to materially and adversely affect our business. Each of our dealership stores will generally have at least six months to relocate to an alternative premise if it is required to relocate its operations due to a defect in title. We

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estimate that each of our dealership stores located on a property with a defect in title will be able to relocate to an alternative premise in approximately 15 days and that the total cost of relocating all dealership stores located on properties with defects in title and demolishing buildings that do not have applicable ownership titles would be approximately RMB 6.8 million.

We have not been provided with the relevant title ownership certificates or documents evidencing that the relevant lessors have requisite titles or rights to lease the properties to us for properties accounting for 8.9% of our leased properties, or an aggregate gross floor area of 10,350 square meters. We have been taking steps to obtain from our lessors of those properties, the relevant title ownership certificates, or other documents evidencing the authorisation of the relevant property owner to our lease. As at the Latest Practicable Date, the relevant lessors have not provided to our PRC Legal Advisors copies of the necessary documents, and accordingly, our PRC Legal Advisors further advised us that there may be legal impediments for the relevant property owner to obtain the relevant title ownership certificates.

A lessor’s failure to duly obtain title to the property it has leased to us might potentially invalidate our lease agreements. Should disputes arise due to encumbrances on the title of these lease properties, we may encounter difficulties in continuing to lease and use the properties. Up to the Latest Practicable Date, our business operations have not been disrupted due to our lessors’ lack of relevant title ownership certificates or documents or the lessors’ registration default in relation to the lease agreements as described above. We believe that these leased properties can, if necessary, be replaced by comparable premises without a material adverse effect on our business, results of operations and financial condition. However, there can be no assurance that our lease agreements relating to, and our right to use and occupy, our leased properties will not be challenged in the future.

We do not expect any of these defects in our leases to materially and adversely affect our business. We estimate that each of our dealership stores will be able to relocate to an alternative premise in approximately 10 to 15 days and that the total cost of relocating all dealership stores located on properties with defects in the lease would be approximately RMB 1.0 million.

As of the Latest Practicable Date, we operated certain of our 4S dealership stores on properties with defects in the lease. The following table sets forth the turnover generated from these 4S dealership stores during the Track Record Period.

	For the Year Ended 31 December			For the Six months Ended 30 June
	2007	2008	2009	2010
Turnover (RMB in thousands)	716,288	756,065	1,146,730	693,475
Percentage	24.6	24.8	23.0	22.2

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As of the Latest Practicable Date, we have not encountered any disruptions to our business or operations due to any disputes or claims in relation to the properties owned or leased by us. We anticipate that there will not be any material practical difficulties in terms of timing and costs in relocating our activities to alternative and/or comparable premises, and any possible disruption to the uses of the relevant properties is likely to be transient. In addition, under certain of our unregistered lease agreements, we shall be entitled to seek compensation from the lessors if we are forced to relocate our operations from the leased premises as a result of such registration default on the part of the lessor. Moreover, each of Mr. Wang and Joy Capital has, on a joint and several basis, undertaken to indemnify each member of our Group in respect of all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses, actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of any of our property arising from lack of any proper title or use or occupation rights or registration documents or any breach of any law or regulation, covenants or obligations under any property ownership certificate, land use right certificate or land grant contract in connection with any property. Please see “Appendix VII — Statutory and General Information — 16. Estate duty, tax and other indemnity” to this document. Based on the foregoing, our Directors do not consider the properties which were subject to defects in their titles or lease rights as crucial to our business.

INSURANCE

We carry insurance covering risks including loss and theft of and damage to property such as our fixed assets and inventories in all of our dealership stores, and losses due to fire, flood and a broad range of other natural disasters excluding earthquakes. We also carry public liability insurance covering potential liabilities for damages customer may suffer in our 4S dealership stores. 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 and Our Industry — Our insurance coverage may be inadequate to protect us from all potential losses” in this document.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in the opinion of our management, is likely to have a material and adverse effect on our business, financial conditions 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.

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In the opinion of our PRC Legal Advisors, we have complied with relevant PRC laws, rules and regulations in all material respects including without limitation environmental and work safety laws and regulations, and save as disclosed in the sections entitled “Risk Factors — We do not have valid title or rights to use certain properties on certain properties occupied by us ” and “Regulations — New automobile Sales”, “Regulations — Regulations Relating to the PRC Automobile Industry — Automobile maintenance and repair services”, “Regulations — Regulations Relating to the PRC Automobile Industry — After-sales Services” and “Regulations — Labor — Employee funds” in this document, 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.

We continually review our operations and procedures, and have appointed dedicated personnel to supervise the safety of our staff in each of our dealership stores, logistics services facilities and other properties.

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BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

Our Group is principally engaged in automobile retail sales and distribution in the PRC (i.e. Automobile Dealerships). It is allowed under each dealership store to conduct the 4S Businesses (i.e. sales, spare parts, service and survey (i.e. function of collecting market information for the automobile manufacturers to adjust their market strategies)).

As at the Latest Practicable Date, our Group operated 22 dealership stores as disclosed in the section headed “Our Business - Our Automobile Dealership Business” of this document. In addition, our Group has received from some automobile manufacturers notices of approval as pre-qualified candidates (or, as the case may be, our Group entered into letters of intent with such manufacturers) to set up nine 4S dealership stores at prescribed cities to service particular areas or regions. Under such notices or letters of intent, we have to carry out certain major steps, including establishing new enterprises (with appropriate name, scope of business, registered capital and management structure) to operate such dealerships, identifying and securing relevant premises to be used as 4S dealership stores, formulating store opening plan, and completing the fitting out of dealership store, to the satisfaction of such automobile manufacturers, before formal dealership agreements will be made by such automobile manufacturers with our Group. Steps have been taken by our Group to establish the relevant operating entities and the dealership stores.

Accordingly, though our Group operated 22 dealership stores as at the Latest Practicable Date, it is currently expected that shortly after the [●] and subject to completion of relevant regulatory procedural requirements, the Group will have a total of 31 or more enterprises which will carry on 4S dealership business or will be in the process of taking preparatory steps for the opening of 4S dealership stores.

Pursuant to applicable PRC laws, rules and regulations, a foreign-invested enterprise operating in restricted industries shall be subject to NDRC and MOFCOM approval. Prior to 2001, automobile distribution in China was subject to the 30 Dealerships Limitation. During China’s accession to the World Trade Organization in 2001, China made a commitment to abolish the 30 Dealerships Limitation within five years of its accession. Accordingly, each of the 2004 Edition of the Catalogue, the Measures for the Implementation of the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法), and the Measures for the Administration on Foreign Investment in Commercial Sector (外商投資商業領域管理辦法), provides that the 30 Dealerships Limitation would terminate on 11 December 2006.

However, the 2007 Edition of the Catalogue has continued to include the 30 Dealerships Limitation, without the termination as indicated. Under the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment (“2007 Foreign Investment Catalogue”,《外商投資產業指導目錄(2007年修訂)》), Automobile Dealerships falls under category VI(2) of restricted foreign investment industry, and an automobile dealership group with more than 30 dealership stores selling different brands and models of automobiles supplied by multiple automobile manufacturers in the PRC is required to have a domestic (i.e. PRC) investment of not less than 51 per cent.

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During the period between June and August 2010, our Company and our PRC Legal Advisors made verbal consultation with officials of competent government authorities. Our PRC Legal Advisors are of the opinion that these officials have the relevant authority and creditability to give guidance on the interpretation and applicability of the 30 Dealerships Limitation. These officials gave verbal comments and confirmed that, before being superseded by new regulations, the 2007 Edition of the Catalogue with the 30 Dealerships Limitation remains to be applicable as part of the PRC’s foreign investment regulations. According to these officials, though China made a commitment to abolish the 30 Dealerships Restriction by December 2006 as stated in the Accession to WTO Agreement in December 2001, neither the Accession to WTO Agreement nor such commitment are source of laws or regulations on which the relevant authority will administer its activities or take enforcement actions, and PRC enterprises should always observe and comply with PRC laws and regulations, which include the 30 Dealerships Limitation provided under the 2007 Foreign Investment Catalogue. It is our PRC Legal Advisors’ view that the aforesaid government authorities are the relevant and competent authorities which supervise the acquisition and transfer of the Group’s capital and the PRC Operating Entities. As advised by our PRC Legal Advisors, if Wuhan Jietong, being wholly owned by Rising Wave and thus a foreign company for purpose of the 2007 Foreign Investment Catalogue, is to obtain control of our Group by acquiring a majority of the latter’s equity interest, our Group will become subject to the 30 Dealerships Limitation.

According to our PRC Legal Advisors, the M&A Rules are not applicable to our Group even if we adopt the “equity-held” structure by Wuhan Jietong’s acquisition of the equity interest in PRC Operating Entities. As advised by our PRC Legal Advisors, our adoption of the Contractual Arrangements will not amount to (or be deemed as) circumvention of (or an attempt to circumvent) the M&A Rules because Wuhan Jietong (which is not a foreign company, nor an investment company established in the PRC by foreign investors) had become a wholly owned foreign enterprise before the M&A Rules became effective, and any subsequent acquisitions of the PRC Operating Entities by Wuhan Jietong will be regarded as domestic investments which are not subject to the M&A Rules.

As advised by our PRC Legal Advisors, as we adopt the Contractual Arrangements from the onset without using the equity-held method, the Contractual Arrangements are generally governed by the contractual principles and fall under the category of civil legal relationship (please refer to the Section headed “Contractual Arrangements - Legality of the Contractual Arrangements”), and accordingly are not construed or treated as violation of the 30 Dealerships Limitation.

In contrast, if the Group, as part of the pre-[●] reorganisation, had acquired through WFOE the existing dealership stores using the equity-held method, then its maximum number of stores would have been limited to 30. The major reason is that, as advised by the PRC Legal Advisors, even if the Company uses the Contractual Arrangements to control the 31st store in the future, local commerce department of the PRC may treat such control as establishing over 30 dealership stores for the purposes of the 30 Dealerships Limitation, hence being construed as violating (or purporting to violate) the 30 Dealerships Limitation. Under such circumstances, when the number of dealership stores entered into by the Group reaches 31 or more, the equity interest in the PRC Operating Entities will have to be transferred to some PRC individuals or PRC-domestic entities. Apart from the possible delay in the Group’s expansion of its dealership stores which may result from such equity transfers,

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there will also be risks that the PRC regulatory authorities may refuse such application and/or may take time to examine the proposed transfers in the context of the 30 Dealership Limitation, which could result in further delay in the time of such transfers becoming effective. In addition, any such transfers might constitute connected transactions, and in the event of independent Shareholders (which may include competitors of the Group) disapproving any such transfers, the expansion of the Group may be delayed or hindered. For such reasons, our Directors consider that it will not be in the interest of our Group to enter into the Contractual Arrangements only when our Group has more than 30 dealerships in the PRC. Our Directors also consider that our Group’s adoption of the Contractual Arrangements from the onset would ensure that its expansion plans can be executed in compliance with existing PRC laws and regulations in all materials aspects.

In light of the above, it is considered by our Group that the adoption of the Contractual Arrangements is necessary and will provide greater flexibility to our Group for its growth strategy and is in the interest of our Group as a whole. Although our Group does not have any direct equity holding in the PRC Operating Entities, we maintain an effective control over the financial and operational policies of the PRC Operating Entities and are entitled to the economic benefits derived from the operations of the PRC Operating Entities through the Contractual Arrangements, details of which are set out below:

Exclusive Business Operation Agreements

In respect of each PRC Operating Entity, a business operation agreement (“Exclusive Business Operation Agreement”) was entered into between that PRC Operating Entity, its equity-holders (other than minority equity-holder(s) who is/are Independent Third Parties) and Wuhan Jietong. Under the Exclusive Business Operation Agreement in respect of a particular PRC Operating Entity, the relevant PRC Operating Entity has undertaken not to enter into any material business transaction without the prior written consent of Wuhan Jietong and to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of the relevant PRC Operating Entity. In consideration of the provision of financial resources and guarantee by Wuhan Jietong in connection with the business operation of the PRC Operating Entities and subject to the terms of the Exclusive Business Operation Agreements, the PRC Operating Entities have agreed to pledge all their accounts receivables and assets which are not yet pledged to any third parties as at the execution date of the Exclusive Business Operation Agreements in favour of Wuhan Jietong.

Each of the Exclusive Business Operation Agreements has commenced from the date of the execution and shall continue until the termination by Wuhan Jietong by giving a 30-day prior written notice; or pursuant to the terms under other agreements entered into by the relevant parties.

In addition, under the Exclusive Business Operation Agreement dated 17 November 2010 and made between Hubei Shengze with Wuhan Jietong and Wuhan Baoze, Hubei Shengze has undertaken to arrange for establishing new companies to enter into new 4S dealership agreements, upon request by Wuhan Jietong, which new companies will enter into Contractual Arrangements with Wuhan Jietong or any equity-held subsidiary of our Company. Under the Contractual Arrangements, all operating costs for establishing any such new PRC Operating Entity and operating the 4S dealership business will be borne by our Group. If so requested by Wuhan Jietong and subject to the cashflow

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and fundings of Hubei Shengze, Hubei Shengze will (by itself or through its subsidiaries) at its own cost construct retail shops or malls, part of which will (subject to terms then to be made between parties on an arm’s length basis) be leased by Hubei Shengze or the relevant property-owner to our Group at market rental.

Exclusive Management and Consultation Services Agreements

In respect of each PRC Operating Entity, a management and consultation services agreement (“Exclusive Management and Consultation Services Agreement”) was entered into between that PRC Operating Entity and Wuhan Jietong. Under the Exclusive Management and Consultation Services Agreement made with PRC Operating Entities which have minority equity holders, the minority equity holders are also parties to the respective agreements. Under the Exclusive Management and Consultation Services Agreement in respect of a particular PRC Operating Entity, the relevant PRC Operating Entity has agreed to engage Wuhan Jietong on an exclusive basis to provide consultation services and other supporting services in connection with the relevant PRC Operating Entity’s business services as permitted under the PRC laws.

In consideration of the provision of the aforementioned services by Wuhan Jietong, each of the PRC Operating Entities agrees, subject to compliance with the PRC laws, to pay to Wuhan Jietong fees on an annual basis in arrears. Fees payable to Wuhan Jietong by the PRC Operating Entities will be equivalent to the total before-income-tax profits after deducting all the necessary costs, expenses and taxes in connection with the business operation of the respective PRC Operating Entities (or, in connection with the PRC Operating Entities with minority equity holders, the said amount multiplied by Hubei Shengze’s proportionate equity-holding in the relevant PRC Operating Entity, while the balance will be payable to the relevant minority equity-holders).

Each Exclusive Management and Consultation Services Agreement has become effective on the date of its execution and shall continue until the termination by Wuhan Jietong with a 30-day prior written notice to the other parties.

Equity Pledge Agreements

In respect of each PRC Operating Entity, an equity pledge agreement (“Equity Pledge Agreement”) was entered into between Wuhan Jietong (as pledgee) and equity-holders of that PRC Operating Entity (other than minority equity-holder(s) who is/are Independent Third Parties) as pledgor(s). Each Equity Pledge Agreement constitutes a security for guaranteeing the payment of the service fees under the relevant Exclusive Management and Consultation Services Agreement.

Pursuant to the Equity Pledge Agreements, a continuing first priority security will be granted over the equity interests in the PRC Operating Entities to Wuhan Jietong. None of the equity interests in the members of the PRC Operating Entities may be transferred or be pledged (or be allowed to be pledged) which might affect the interest of the pledgee (i.e. Wuhan Jietong) without the prior written consent of Wuhan Jietong. Wuhan Jietong will be entitled to all dividends derived from the pledged equity interests and to exercise its rights to dispose of the pledged equity interests on occurrence of any non-payment of the services fees under the Exclusive Management and Consultation Services Agreements.

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The pledges will remain in full effect during the term of the Exclusive Management and Consultation Services Agreements, and shall not be terminated (i) until all payments in the Exclusive Management and Consultation Services Agreements are settled by the PRC Operating Entities, and (ii) upon which the PRC Operating Entities are no longer responsible for the performance under the Exclusive Management and Consultation Service Agreements.

Exclusive Option Agreements

In respect of each PRC Operating Entity, an option agreement (“Exclusive Option Agreement”) was entered into between that PRC Operating Entity, its equity-holders (other than minority equity-holder(s) who is/are Independent Third Parties) and Rising Wave. Under the Exclusive Option Agreement in respect of a particular PRC Operating Entity, Rising Wave has been granted options to acquire, directly or through one or more nominees, any part of the equity interest in the PRC Operating Entities at nil consideration or the minimum amount as permitted under the applicable PRC laws.

Subject to compliance with the PRC laws, Rising Wave may exercise the options at any time and in any manner at its sole discretion. The PRC Operating Entities shall undertake, among other things, that they shall not change their respective registered capital or dispose of any part of their assets, business or turnover unless with the prior written consent from Wuhan Jietong or from Rising Wave.

Furthermore, under each Exclusive Option Agreement, the relevant equity-holders of the PRC Operating Entities (who are parties to such Exclusive Option Agreement) have undertaken that they will assign or transfer to Rising Wave or Wuhan Jietong all of their dividends and/or capital gain derived from the equity interests in the relevant PRC Operating Entity, distributable reserve and proceeds from the realisation of any assets by the relevant PRC Operating entity which are distributable in accordance with applicable laws and the constitutional documents of the relevant PRC Operating Entity received thereof as soon as practicable and in any event no later than three days upon receipt of the payment or distribution.

Each of the Exclusive Option Agreements has become effective from the date of its execution and will only expire on the date on which all the equity interests in the PRC Operating Entities are transferred to Rising Wave and/or its nominees, and the registrations of such equity transfers in the relevant administration of industry and commerce in the PRC are completed.

Proxy Agreements

In respect of each PRC Operating Entity, a proxy agreement (“Proxy Agreement”) was entered into between Wuhan Jietong, Mr. Li Zhubo (李著波) (“Mr. Li”, an executive Director and currently the chairman of Wuhan Jietong) and the equity-holders of the relevant PRC Operating Entity (other than minority equity-holder(s) who is/are Independent Third Parties). Pursuant to the Proxy Agreement in respect of a particular PRC Operating Entity, among other rights, Mr. Li (or such other person being the chairman of Wuhan Jietong) is authorised to exercise the shareholders’ rights in the relevant PRC Operating Entity according to the best interest and at the instructions of Wuhan Jietong. These rights include (among other things): attending meetings of equity-holders of such PRC Operating Entity; exercising as equity-holder voting rights on matters concerning such PRC Operating Entity which include consideration and approval of the appointment and removal of directors and

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supervisors (if any), business plans, investments plan, budget and final financial statements); receiving dividends paid by such PRC Operating Entity; receiving surplus assets (if any) after settlement of all outstanding liabilities upon winding-up of such PRC Operating Entity; disposing of the relevant interest in such PRC Operating Entity. Pursuant to the relevant Proxy Agreement, any person designated by Wuhan Jietong is authorised to enjoy and exercise the shareholders’ rights in the relevant PRC Operating Entity in the event that Mr. Li shall cease to be the chairman of Wuhan Jietong. It is also a term of the relevant Proxy Agreement that any dividend and/or capital gain derived from the equity interests in the relevant PRC Operating Entity shall be paid to Wuhan Jietong as soon as practicable and in any event no later than three days upon receipt of the payment or distribution. It is also provided under the relevant Proxy Agreement that the chairman of Wuhan Jietong is given the authority (among other powers and rights): (a) to exercise the right to sign minutes of general meetings of the relevant PRC Operating Entity; (b) to exercise the right to file documents concerning the PRC Operating Entity with PRC government authorities; and (c) to assume the office of legal representative of the relevant PRC Operating Entity.

Each Proxy Agreement has been in full effect from the date of its execution and shall remain effective during the term of the relevant Exclusive Business Operation Agreement.

Purpose of the Contractual Arrangements

The rationale for entering into the Contractual Arrangements is to enable Wuhan Jietong to provide our Group with effective control over the financial and operational policies of the PRC Operating Entities regardless the lack of direct equity interest of our Group in those of the PRC Operating Entities, to obtain the economic benefits from the operations of the PRC Operating Entities, and to acquire the equity interests in and/or the trademarks of the PRC Operating Entities as and when permitted under the applicable PRC laws, and to prevent any possible dissipation of assets and values of the PRC Operating Entities to any parties other than the Company or its subsidiaries. These include:

- (a) an option to acquire all the equity interests in the PRC Operating Entities (except for the PRC OpEnt Minority Interests) and/or the trademarks in relation to the existing business of the PRC Operating Entities, as and when permitted by the PRC laws, at nil price or such other minimum payment as required by the PRC laws;
- (b) the undertakings from the PRC Operating Entities not to enter into any material business transaction; (any agreement with an amount exceeding RMB 1 million would be regarded as material for this purpose) without the prior written consent of Wuhan Jietong, unless those entered into in the ordinary course of business);
- (c) the rights to exercise the rights of shareholders of the PRC Operating Entities; and
- (d) the pledges in favour of our Company over the entire equity interests in the PRC Operating Entities (except for the PRC OpEnt Minority Interests).

These Contractual Arrangements effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operating Entities (except for the PRC OpEnt Minority Interests) to our Company, and as a result, the PRC Operating Entities have been consolidated as subsidiaries of

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our Company from their respective dates of acquisition or establishment by Mr. Wang Muqing and/or entities controlled by him. The Contractual Arrangements are renewable by Wuhan Jietong only and may only be terminated by Wuhan Jietong. Pursuant to the Exclusive Business Operation Agreements and the Exclusive Management and Consultation Services Agreements, we have effectively re-deployed the employees, who assumed the management and supervisory role of the day-to-day operations of and previously employed by the PRC Operating Entities, to be under the employment of Wuhan Jietong.

More importantly, in order to ensure the PRC Operating Entities are managed and operated in accordance with our Group’s instructions and to prevent misappropriation of assets and funds by the ultimate majority owner of the PRC Operating Entities (i.e. Mr. Wang Muqing), all the boards of directors and financial controllers of each of the PRC Operating Entities as nominated by our Group were appointed to such offices to allow for effective control.

The Contractual Arrangements aim to enable our Company and its equity-held subsidiaries to exert control over the PRC Operating Entities both financially and in terms of management. We consider that the Contractual Arrangements can confer our Company and its equity-held subsidiaries the following:

- (a) the right to enjoy all the economic benefit of the PRC Operating Entities (except for the PRC OpEnt Minority Interests), to exercise management control over the operation of the PRC Operating Entities, and to prevent leakages of assets and values to the registered equity holders of the PRC Operating Entities;
- (b) the right to consolidate the financial results of the PRC Operating Entities as if they were wholly-owned subsidiaries of the Group (except for the PRC OpEnt Minority Interests) under prevailing accounting principles;
- (c) the right to acquire, if any and when permitted by the PRC laws, the equity interests in and/or assets of the PRC Operating Entities (except for the PRC OpEnt Minority Interests) at nil consideration or such other minimum amount as required by the applicable PRC laws; and
- (d) a first priority security interest in equity interest of the PRC Operating Entities (except for the PRC OpEnt Minority Interests) as security for the due performance of the Contractual Arrangements.

Manner of settlement of disputes which may arise from the Contractual Arrangements

All the agreements which constitute the Contractual Arrangements contain a provision of resolving disputes by way of arbitration by the arbitral body of China International Economic and Trade Arbitration Commission in accordance with its then prevailing arbitration rules. These agreements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the PRC Operating Entities, injunctive relief and/or winding up of the relevant PRC Operating Entities as interim remedies. In addition, these agreements also contains provisions to the effect that courts of competent jurisdiction shall be empowered to grant interim remedies in support

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of the arbitration: (a) pending formation of arbitral tribunal; or (b) where appropriate, courts of (i) Hong Kong, (ii) the place of incorporation of the Company (i.e. Cayman Islands); and (iii) the place of incorporation of the PRC Operating Entities or, if different, the place(s) where our Company’s or the PRC Operating Entities’ principal assets are located have jurisdictions for such limited purpose.

However, according to the PRC Legal Advisors to our Company, under the PRC laws, some of the above contractual terms may not be enforceable. For instance, under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for purpose of protecting assets of or equity-interest in the PRC Operating Entity in case of disputes. Such remedies therefore may not be available to our Group, notwithstanding contractual provisions being contained in the said agreements. The PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interest in the PRC Operating Entity in favor of an aggrieved party. In case of default to comply with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures. Under the PRC laws, courts or judicial authorities in the PRC generally do not grant interim remedies (such as injunctive relief or provisional winding-up order) in favour of any aggrieved party to the Contractual Arrangements, before there is any final outcome of arbitration. Our PRC Legal Advisors also have reservation that even though the contractual provisions under the said agreements provide that overseas courts are given jurisdictions to grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by overseas courts in favour of an aggrieved party) may not be recognized or enforced by the PRC court. In the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the PRC Operating Entities, and our ability to conduct our business may be negatively affected.

Legality of the Contractual Arrangements

After taking all possible actions or steps to enable it to reach its legal conclusions, our PRC Legal Advisors are of the opinion that:

- (a) on the basis of the applicable PRC laws and regulations, it is appropriate for our PRC Legal Advisors to give legal opinion as to the legality of the agreements constituting the Contractual Arrangements;
- (b) each of the agreements, constituting the Contractual Arrangements, constitutes legal, valid and binding obligations of the parties thereto under the PRC laws; and the Contractual Arrangements as constituted by all the agreements mentioned above, individually and collectively as a whole, are in full compliance with all existing PRC laws and regulations and the provisions of the respective articles of association of the relevant companies that are incorporated in the PRC;
- (c) the Contractual Arrangements are narrowly tailored to minimise any potential conflict with relevant PRC laws and regulations;
- (d) save for the registration of the pledges created under the Equity Pledge Agreement in the register of members of the PRC Operational Entity and subject to any new laws and regulations promulgated by the PRC government authorities to the contrary, no consents,

CONTRACTUAL ARRANGEMENTS

approvals, permits or authorisations by any PRC government authorities is required under the prevailing PRC laws and provisions in connection with the execution, effectiveness and enforceability of the agreements constituting the Contractual Arrangements, either before or after the [●]. According to our PRC Legal Advisors, the registration of the pledges created under the Equity Pledge Agreement is routine and procedural;

- (e) under the prevailing PRC laws, it is lawful for Wuhan Jietong, the pledgee, to take up the ownership of the entire pledged equity interests in the PRC Operating Entities after taking the necessary enforcement steps;
- (f) the Contractual Arrangements are governed by contractual principles and fall broadly under the category of civil legal relationship. The legitimacy of such contractual arrangements is determined by laws applicable to civil legal relationship, such as contract law of the PRC. Our PRC Legal Advisors confirm that no provisions of the relevant prevailing PRC laws prohibit the Contractual Arrangements. It is also not possible to obtain government or regulatory assurance about the legality of the Contractual Arrangements.

In line with the usual PRC contractual practices, only parties who supply the relevant services and those who receive the relevant services under the Contractual Arrangements and/or the immediate holders of equity interests in the relevant PRC Operating Entities will become parties to the contracts which constitute the Contractual Arrangements. For such reasons, as Hubei Shengze is not the immediate equity-holder of some of the PRC Operating Entities, it will not be a party to the Contractual Arrangements concerning such PRC Operating Entities. For the same reasons, as none of the members of the Wang Family are the direct equity-holders of any of the PRC Operating Entities, none of them are parties to the Contractual Arrangements concerning the PRC Operating Entities. Our PRC Legal Advisors have advised us that although Hubei Shengze is not a party to some of the Contractual Arrangements and members of the Wang Family are not parties to the Contractual Arrangements, the validity and enforceability of such Contractual Arrangements will not be adversely affected.

Notwithstanding that none of the members of the Wang Family is a party to the Contractual Arrangements, under the share purchase agreement dated 17 November 2010 and made between Joy Capital as vendor, Mr. Wang Muqing as covenantor and the Company as purchaser for the Company’s acquisition of the entire issued share capital in Big Glory, Mr. Wang Muqing has, as a party to such agreement, undertaken to the Company to procure Hubei Shengze and the PRC Operating Entities to perform their respective obligations under the Contractual Arrangements. Our PRC Legal Advisors have advised us that such undertaking is sufficient and appropriate, instead of adding Mr. Wang Muqing and the other two members of the Wang Family and/or Hubei Shengze to every contract which constitutes the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

Conduct of operations in compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure sound and effective operation of the Group following the implementation of the Contractual Arrangements:

- (a) as part of the internal control measures, major issues arising from implementation of the contractual arrangements under the Contractual Arrangements will be reviewed by the board of directors of the Company on a regular basis which will be no less frequent than quarterly basis;
- (b) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings which will be no less frequent than quarterly basis;
- (c) the relevant business units and operation divisions of the Group will report regularly which will be no less frequent than monthly basis to the senior management of the Company in relation to compliance and performance conditions under the contractual arrangements under the Contractual Arrangements and other related matters;
- (e) (if required) legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the contractual arrangements under the Contractual Arrangements.

Accounting implication

After the Contractual Arrangements are entered into between Wuhan Jietong and the PRC Operating Entities as part of the Reorganisation, the Equity-held Group will control the financial and operating decisions of the PRC Operating Entities through Wuhan Jietong under the Contractual Arrangements, details of which are set out above under the paragraph headed “Contractual Arrangements” under section headed “Business” of the document. For the purpose of the Accountants’ Report, the financial information has been prepared to reflect the Reorganisation of companies (including the PRC Operating Entities) under common control.

All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the same controlling party during the Track Record Period (or where the entity was acquired/incorporated/established at a date later than 1 January 2007, for the period from the date of acquisition/incorporation/establishment to 30 June 2010) and before and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling party, and therefore, the Reorganisation is considered to be a combination of entities under common control the principles of merger accounting have been applied in preparing the Group’s financial information. The Group’s combined financial statements have been prepared as if the Group (including the PRC Operating Entities) had always been in existence throughout the entire Track Record Period. The net assets of the combining companies are combined using the existing book values from the controlling party’s perspective.

CONTRACTUAL ARRANGEMENTS

The combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of the Group for the Track Record Period as set out in Section B in Appendix I to this document have been prepared on a combined basis and include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were acquired/incorporated/established at a date later than 1 January 2007, for the period from the date of acquisition/incorporation/establishment to 30 June 2010) as if the current group structure had been in existence throughout the entire Track Record Period. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at those dates or since their respective dates of acquisition/incorporation/establishment where they did not exist at those dates.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

(A) Transactions under the Contractual Arrangements

(1) Relationship between our Group and the Connected Persons

The relevant Connected Persons, with whom certain members of our Group have entered into continuing connected transactions (i.e. the transactions contemplated under the Contractual Arrangements), are the PRC Operating Entities. As the PRC Operating Entities are wholly or majority owned by Mr. Wang Muqing, they are his associates and are therefore Connected Persons of our Company under Rule 14A.11(4) of the Listing Rules.

(2) Continuing connected transactions subject to the reporting, announcement and independent shareholders’ approval requirements

Background for the application for waiver

Our Group is principally engaged in automobile retail sales and distribution in the PRC (i.e. Automobile Dealerships). It is allowed under each dealership to conduct the 4S Businesses (i.e. vehicle sales, spare parts, service and survey (i.e. function of collecting market information for the automakers to adjust their market strategies)).

Under the 2007 Foreign Investment Catalogue, Automobile Dealerships falls under category VI(2) of restricted foreign investment industry and an automobile dealership store group with more than 30 dealership stores in the PRC selling different brands and models of automobiles supplied by multiple automobile manufacturers is required to have a domestic (i.e. PRC) investment no less than 51 per cent. As advised by our PRC Legal Advisors, if Wuhan Jietong, being wholly owned by Rising Wave and thus a foreign company for purpose of the 2007 Foreign Investment Catalogue, is to obtain control of our Group by acquiring a majority of the latter’s equity interest, our Group will become subject to the 30 Dealerships Limitation.

In light of the above, it is considered by our Group that the adoption of the Contractual Arrangements is necessary and will provide greater flexibility to our Group for its growth strategy and is in the interest of our Group as a whole. Although our Group does not have any direct equity holding in the PRC Operating Entities, we manage to maintain an effective control over the financial and operational policies of the PRC Operating Entities and are entitled to the economic benefits derived from the operations of the PRC Operating Entities through the Contractual Arrangements, details of which are set out below:

Principal terms of the transactions

Brief details of the continuing connected transactions (i.e. the transactions contemplated under the Contractual Arrangements) entered into between the Connected Persons and members of our Group are as follows:

CONNECTED TRANSACTIONS

(a) *Equity Pledge Agreements*

Pursuant to 24 several equity pledge agreements (the “Equity Pledge Agreements”) all dated 17 November 2010 and entered into between Wuhan Jietong (as pledgee) and

- (i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie and Chenzhou Ruibao) as pledgor;
- (ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie) as pledgors;
- (iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingjie (as the other shareholder of Inner Mongolia Dingze) as pledgors;
- (iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui) as pledgor;
- (v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze) and Changsha Ruibao (as the other shareholder of Nanchang Baoze) as pledgors;
- (vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze) and Changsha Ruibao (as the controlling shareholder of Guangzhou Baoze) as pledgors;
- (vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao) as pledgor;
- (viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng) as pledgor;
- (ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui) as pledgor; and
- (x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze) as pledgor,

a security for guaranteeing the payment of the service fees under the Exclusive Management and Consultation Services Agreements is created. Pursuant to the Equity Pledge Agreements, a continuing first priority security has been granted over the equity interests in the PRC Operating Entities to Wuhan Jietong. None of the equity interests in the members of the PRC Operating Entities may be transferred or be pledged (or be allowed to be pledged) which might affect the interest of the pledgee (i.e. Wuhan Jietong) without the prior written consent of Wuhan Jietong. Wuhan Jietong is entitled to all dividends derived from the pledged equity interests and to exercise its rights to dispose of the pledged equity interests on occurrence of any non-payment of the services fees under the Exclusive Management and Consultation Services Agreements.

The pledges will remain in full effect during the term of the Exclusive Management and Consultation Services Agreements, and shall not be terminated (i) until all payments in the Exclusive Management and Consultation Services Agreements are settled by the PRC Operating Entities, and (ii) upon which the PRC Operating Entities are no longer responsible for the performance under the Exclusive Management and Consultation Service Agreements.

CONNECTED TRANSACTIONS

(b) *Exclusive Option Agreements*

Pursuant to 24 several option agreements (the “Exclusive Option Agreements”) all dated 17 November 2010 and entered into between Rising Wave and

- (i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie and Chenzhou Ruibao) and each of the said PRC Operating Entities;
- (ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie) and each of the said PRC Operating Entities;
- (iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze), Inner Mongolia Dingjie (as controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingze;
- (iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui) and each of the said PRC Operating Entities;
- (v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze), Changsha Ruibao (as the other shareholder of Nanchang Baoze) and Nanchang Baoze;
- (vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze), Changsha Ruibao (as the controlling shareholder of Guangzhou Baoze) and Guangzhou Baoze;
- (vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao) and each of the said PRC Operating Entities;
- (viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng) and Hubei Bocheng;
- (ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui) and Hubei Jierui; and
- (x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze) and Baotou Baoze,

Rising Wave was granted options to acquire, directly or through one or more nominees, any part of the equity interest in the PRC Operating Entities at nil consideration or the minimum amount as permitted under the applicable PRC laws.

Subject to compliance with the PRC laws, Rising Wave may exercise the options at any time and in any manner at its sole discretion. The PRC Operating Entities have undertaken, among other things, that they shall not change their respective registered capital or dispose of any part of their assets, business or turnover unless with the prior written consent from Wuhan Jietong or from Rising Wave.

Furthermore, under the Exclusive Option Agreements, equity-holders of the PRC Operating Entities have undertaken that they shall assign or transfer to Rising Wave or Wuhan Jietong all of their dividends and/or capital gain derived from the equity interests in the relevant PRC Operating Entities,

CONNECTED TRANSACTIONS

distributable reserve and proceeds from the realisation of any assets by the PRC Operating entities which are distributable in accordance with applicable laws and the constitutional documents of each of the PRC Operating Entities received thereof as soon as practicable and in any event no later than three days upon receipt of the payment or distribution.

Each of the Exclusive Option Agreements has become effective from when they were executed on 17 November 2010 and will only expire on the date on which all the equity interests in the PRC Operating Entities are transferred to Rising Wave and/or its nominees, and the registrations of such equity transfers in the relevant administration of industry and commerce in the PRC are completed.

(c) *Exclusive Business Operation Agreements*

Pursuant to 24 several business operation agreements (the “Exclusive Business Operation Agreements”) all dated 17 November 2010 and entered into between Wuhan Jietong and

- (i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie and Chenzhou Ruibao) and each of the said PRC Operating Entities;
- (ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie) and each of the said PRC Operating Entities;
- (iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze), Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingze;
- (iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui) and each of the said PRC Operating Entities;
- (v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze), Changsha Ruibao (as the other shareholder of Nanchang Baoze) and Nanchang Baoze;
- (vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze), Changsha Ruibao (as the controlling shareholder of Guangzhou Baoze) and Guangzhou Baoze;
- (vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao) and each of the said PRC Operating Entities;
- (viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng) and Hubei Bocheng;
- (ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui) and Hubei Jierui; and
- (x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze) and Baotou Baoze,

CONNECTED TRANSACTIONS

the PRC Operating Entities have undertaken not to enter into any material business transaction without the prior written consent of Wuhan Jietong and to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of the PRC Operating Entities. In consideration of the provision of guarantee by Wuhan Jietong in connection with the business operation of the PRC Operating Entities and subject to the terms of the Exclusive Business Operation Agreements, the PRC Operating Entities have agreed to pledge all their accounts receivables and assets which have not yet been pledged to any third parties as at the execution date of the Exclusive Business Operation Agreements in favour of Wuhan Jietong.

Each of the Exclusive Business Operation Agreements commenced from 17 November 2010 when they were executed and shall continue until the termination by Wuhan Jietong by giving a 30-day prior written notice; or pursuant to the terms under other agreements entered into by the relevant parties.

In addition, under the Exclusive Business Operation Agreement dated 17 November 2010 and made between Hubei Shengze with Wuhan Jietong and Wuhan Baoze, Hubei Shengze has undertaken to arrange for establishing new companies to enter into new 4S dealership agreements, upon request by Wuhan Jietong, which new companies will enter into Contractual Arrangements with Wuhan Jietong or any equity-held subsidiary of our Company. Under the Contractual Arrangements, all operating costs for establishing any such new PRC Operating Entity and operating the 4S dealership business will be borne by our Group. If so requested by Wuhan Jietong and subject to the cashflow and fundings of Hubei Shengze, Hubei Shengze will (by itself or through its subsidiaries) at its own cost construct retail shops or malls, part of which will (subject to terms then to be made between parties on an arm’s length basis) be leased by Hubei Shengze or the relevant property-owner to our Group at market rental.

(d) *Exclusive Management and Consultation Services Agreements*

Pursuant to 24 several management and consultation services agreements (the “Exclusive Management and Consultation Services Agreements”) all dated 17 November 2010 and entered into between Wuhan Jietong and

- (i) each of the PRC Operating Entities (other than Shantou Hongxiang, Dongguan Jieyunhang and Baotou Baoze);
- (ii) Lin Limin, Wu Yihong (being the minority shareholders of Shantou Hongxiang) and Shantou Hongxiang;
- (iii) Lin Cheng (being the minority shareholder of Dongguan Jieyunhang) and Dongguan Jieyunhang; and
- (iv) Wang Jianye (being the minority shareholder of Baotou Baoze) and Baotou Baoze,

the PRC Operating Entities have engaged Wuhan Jietong on an exclusive basis to provide consultation services and other supporting services in connection with the PRC Operating Entities’ business services as permitted under the PRC laws.

CONNECTED TRANSACTIONS

In consideration of the provision of the aforementioned services by Wuhan Jietong, each of the PRC Operating Entities agrees, subject to compliance with the PRC laws, to pay to Wuhan Jietong fees on an annual basis in arrears. Fees payable to Wuhan Jietong by the PRC Operating Entities are equivalent to the total before-tax profits after deducting all the necessary costs, expenses and taxes in connection with the business operation of the respective PRC Operating Entities.

Under each of the Exclusive Management and Consultation Services Agreements made by the PRC Operating Entities which have PRC OpEnt Minority Interests, it has been agreed by the parties thereto that the relevant holder of the PRC OpEnt Minority Interests (or its nominee(s)) may be invited by Wuhan Jietong to provide ancillary or support services. If the holder of the PRC OpEnt Minority Interests (or its nominee(s)) is invited to provide ancillary or support services, it will be entitled to certain service fees payable by the relevant the PRC Operating Entity, which amount of fees will be calculated by multiplying (i) the proportion of minority interests they respectively hold in the relevant PRC Operating Entities by (ii) the fees payable to Wuhan Jietong by the relevant PRC Operating Entity.

Each of the Exclusive Management and Consultation Services Agreements has become effective on 17 November 2010 when they were executed and shall continue until the termination by Wuhan Jietong with a 30-day prior written notice to the other parties.

(e) *Proxy Agreements*

Pursuant to 24 several proxy agreements (the “Proxy Agreements”) all dated 17 November 2010 and entered into between Wuhan Jietong, Mr. Li Zubo (as chairman of Wuhan Jietong and an executive Director) (“Mr. Li”) and

- (i) Hubei Shengze (as the controlling shareholder of Zhuhai Baoze, Inner Mongolia Dingjie, Hubei Dingjie, Hubei Xinrui, Changsha Ruibao, Beijing Baozehang, Wuhan Baoze, Shantou Hongxiang, Dongguan Jieyunhang, Shanghai Shenxie and Chenzhou Ruibao);
- (ii) Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai and Shiyan Shenxie);
- (iii) Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingjie (as the controlling shareholder of Inner Mongolia Dingze);
- (iv) Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong, Shanghai Luda and Shanghai Aohui);
- (v) Wuhan Baoze (as the controlling shareholder of Nanchang Baoze) and Changsha Ruibao (as the other shareholder of Nanchang Baoze);
- (vi) Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze) and Changsha Ruibao (as the controlling shareholder of Guangzhou Baoze);
- (vii) Wuhan Baoze (as the controlling shareholder of Yichang Baoze and Huhhot Qibao);

CONNECTED TRANSACTIONS

- (viii) Shanghai Luda (as the controlling shareholder of Hubei Bocheng);
- (ix) Hubei Bocheng (as the controlling shareholder of Hubei Jierui); and
- (x) Huhhot Qibao (as the controlling shareholder of Baotou Baoze),

Mr. Li (or such other person being the chairman of Wuhan Jietong) is authorised to exercise the shareholders’ rights in each of the PRC Operating Entities including attending shareholders’ meeting and exercising voting rights according to the best interest and at the instructions of Wuhan Jietong; any person designated by Wuhan Jietong is authorised to enjoy and exercise the shareholders’ rights in each of the PRC Operating Entities (in the event that Mr. Li shall cease to be the chairman of Wuhan Jietong); and any dividend and/or capital gain derived from the equity interests in the PRC Operating Entities shall be paid to Wuhan Jietong as soon as practicable and in any event no later than three days upon receipt of the payment or distribution.

The Proxy Agreements have been in full effect from 17 November 2010 when they were executed and shall remain effective during the term of the Exclusive Business Operation Agreements.

(3) The view of our Directors on the continuing connected transactions

As advised by the PRC Legal Advisors to our Company in connection with the [●], the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under the current PRC laws and that in the event of any breach or default by the PRC Operating Entities, Wuhan Jietong can take legal actions against any one of them. The Company confirms that it has used all reasonable efforts to clear uncertainties on the applicability of the 30 Dealerships Limitation from appropriate competent regulatory authorities. Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements are fundamental to our Group’s legal structure and business operations and are on normal commercial terms or terms more favourable to our Group and are fair and reasonable or to the advantage of our Group and are in the interests of the Shareholders as a whole. Our Directors also believe that our Group’s structure whereby the financial results of the PRC Operating Entities are consolidated into our Group’s financial statements as if they were our Group’s wholly-owned subsidiaries (except for the PRC OpEnt Minority Interests), and the economic benefit of their business flows to our Group (except for the PRC OpEnt Minority Interests), places our Group in a special position in relation to the connected party transaction rules.

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures

- (a) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be reviewed by the Board on a regular basis;

CONNECTED TRANSACTIONS

- (b) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (c) the relevant business units and operation divisions of our Group will report regularly to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (d) [●]
- (e) (if required) legal advisors and/or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements.

(B) Lease arrangements

(1) *Relationship between our Group and the Connected Persons*

The relevant Connected Persons as lessor, with whom some of our PRC Operating Entities or Wuhan Jietong have entered into the lease agreements (collectively, the “Lease Agreements” and each a “Lease Agreement”) as lessee, are as follows:

1. Hubei Shengze, being a company wholly owned by Mr. Wang Muqing and thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules;
2. Inner Mongolia Dingjie Auto-trading (as defined below), being a company demerged from Inner Mongolia Dingjie and wholly owned by Hubei Shengze, thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules;
3. Changsha Electronics (as defined below), being a company demerged from Changsha Ruibao and wholly owned by Hubei Shengze, thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules;
4. Wuhan Jieyun (as defined below), being a company wholly owned by Hubei Shengze, thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules;
5. Wuhan Jiezhong (as defined below), being a company wholly owned by Hubei Shengze, thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules; and
6. Beijing Development (as defined below), being a company held as to 90% by Hubei Shengze and 10% by Beijing Jiaruiya, an Independent Third Party, thus a Connected Person of our Company under Rule 14A.11(4) of the Listing Rules.

CONNECTED TRANSACTIONS

(2) Continuing connected transactions

Set out below are the details of the Lease Agreements and, for comparison purpose, historical figures for the years ended 31 December 2009 and six months ended 30 June 2010:

S/N	Premises	Gross floor area (sq. m)	User	Lessor	Lessee	Expected maximum annual rental (i.e. annual cap) (Note 1)	(a) Term of current lease agreement (b) Date of the relevant premises first leased by the lessor to the lessee	Historical figures
1.	4S Shop, No. Te 6 Huangpu Technological Park, Jiangnan District, Wuhan City, Hubei Province, the PRC (江岸區黃埔科技園特6號北)	4,661.59	Industrial	Hubei Shengze	Hubei Bocheng	(i) for the year ending 31 December 2010: RMB 1,716,925 (ii) for the year ending 31 December 2011: RMB 1,512,000 (iii) for the year ending 31 December 2012: RMB 1,512,000	(a) From 1 August 2010 to 31 July 2013 (Note 2) (b) 1 January 2007	For the year ended 31 December 2007: RMB 1,490,640 For the year ended 31 December 2008: RMB 1,490,640 For the year ended 31 December 2009: RMB 1,863,300 For the six months ended 30 June 2010: RMB 931,650
2.	4S Shop, No. Te 6 Huangpu Technological Park, Jiangnan District, Wuhan City, Hubei Province, the PRC (江岸區黃埔科技園特6號南)	6,541.52	Industrial	Hubei Shengze	Wuhan Kaitai	(i) for the year ending 31 December 2010: RMB 1,966,925 (ii) for the year ending 31 December 2011: RMB 2,112,000 (iii) for the year ending 31 December 2012: RMB 2,112,000	(a) From 1 August 2010 to 31 July 2013 (Note 2) (b) 1 January 2007	For the year ended 31 December 2007: RMB 1,490,640 For the year ended 31 December 2008: RMB 1,490,640 For the year ended 31 December 2009: RMB 1,863,300 For the six months ended 30 June 2010: RMB 931,650

CONNECTED TRANSACTIONS

S/N	Premises	Gross floor area (sq. m)	User	Lessor	Lessee	Expected maximum annual rental (i.e. annual cap) (Note 1)	(a) Term of current lease agreement (b) Date of the relevant premises being first leased by the lessor to the lessee	Historical figures
3.	4S Shop, No. 40 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region (呼和浩特市新城区興安北路40號)	4,662 (site area - see Note 3)	Comprehensive (commercial, industrial)	Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd* (內蒙古聖澤鼎杰汽車貿易有限公司) (“Inner Mongolia Dingjie Auto-trading”)	Huhhot Qibao	(i) for the year ending 31 December 2010: RMB 39,000 (ii) for the year ending 31 December 2011: RMB 156,000 (iii) for the year ending 31 December 2012: RMB 156,000	(a) From 30 September 2010 to 29 September 2013 (Note 4) (b) 30 September 2010	Nil
4.	4S Shop, No. 688 Changsha Avenue, Yuhua District, Changsha City, Hunan Province, the PRC (雨花區長沙大道688號BMW瑞寶4S店)	4,498.26	Comprehensive	Changsha Shengze Ruibao Electronics Trading Co., Ltd* (長沙聖澤瑞寶電子產品貿易有限公司) (“Changsha Electronics”)	Changsha Ruibao	(i) for the year ending 31 December 2010: RMB 525,000 (ii) for the year ending 31 December 2011: RMB 2,100,000 (iii) for the year ending 31 December 2012: RMB 2,100,000	(a) From 30 September 2010 to 29 September 2013 (Note 2) (b) 30 September 2010	Nil
5.	4S Shop, No. 42 Xingan North Road, Xincheng District, Huhhot City, Inner Mongolia Autonomous Region, the PRC (新城区興安北路42號風神汽車專賣店商業樓、維修車間、東風汽車專營店辦公樓)	4,615.29	Comprehensive (commercial, industrial)	Inner Mongolia Dingjie Auto-trading	Inner Mongolia Dingjie	(i) for the year ending 31 December 2010: RMB 234,000 (ii) for the year ending 31 December 2011: RMB 936,000 (iii) for the year ending 31 December 2012: RMB 936,000	(a) From 30 September 2010 to 29 September 2013 (Note 2) (b) 30 September 2010	Nil

CONNECTED TRANSACTIONS

S/N	Premises	Gross floor area (sq. m)	User	Lessor	Lessee	Expected maximum annual rental (i.e. annual cap) (Note 1)	(a) Term of current lease agreement (b) Date of the relevant premises being first leased by the lessor to the lessee	Historical figures
6.	Lot 6C2 Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC (武漢經濟技術開發區6C2地塊)	58,051.22	Commercial and services	Wuhan Shengze Jieyun Trading Co., Ltd* (武漢聖澤捷運貿易有限公司) (“Wuhan Jieyun”)	Wuhan Jietong	(i) for the year ending 31 December 2010: RMB 2,625,000 (ii) for the year ending 31 December 2011: RMB 6,300,000 (iii) for the year ending 31 December 2012: RMB 6,300,000	(a) From 1 August 2010 to 31 July 2013 (Note 2) (b) 1 August 2010	Nil
7.	Lot 5C2, Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC (武漢經濟技術開發區5C2地塊)	10,422.59	Commercial and services	Wuhan Shengze Jiezhong Logistics Co., Ltd* (武漢聖澤捷眾物流有限公司) (“Wuhan Jiezhong”)	Wuhan Jietong	(i) for the year ending 31 December 2010: RMB 625,000 (ii) for the year ending 31 December 2011: RMB 1,500,000 (iii) for the year ending 31 December 2012: RMB 1,500,000	(a) From 1 August 2010 to 31 July 2013 (Note 2) (b) 1 August 2010	Nil
8.	4S Shop on Levels 1 to 3 and Basement 1 No. 59 West Third Ring South Road, Feng Tai District, Beijing City, the PRC (北京市豐台區西三環南路59號寶澤大廈)	8,919.7	Commercial	Beijing Baoze Automobile Technology Development Co., Ltd* (北京寶澤汽車科技發展有限公司) (“Beijing Development”)	Beijing Baozehang	(i) for the year ending 31 December 2010: RMB 3,816,225 (ii) for the year ending 31 December 2011: RMB 6,542,100 (iii) for the year ending 31 December 2012: RMB 6,542,100	(a) From 1 June 2010 to 31 May 2013 (b) 1 June 2010	For the six months ended 30 June 2010: RMB 545,175

CONNECTED TRANSACTIONS

Notes:

1. For the year ending 31 December 2010, the expected maximum annual rental is calculated based on the terms of the relevant lease agreement(s) for the period (i) commencing on the date of the relevant premises being leased by the lessor to the lessee, and (ii) expiring on 31 December 2010.
2. Option granted to renew for successive terms of no more than three years each up to 2020.
3. Pursuant to this Lease Agreement, the piece of land located at 呼和浩特市新城區興安北路40號, instead of the premises thereon, is leased to Huhhot Qibao as lessee. Huhhot Qibao is the owner of the premises located on the said piece of land.
4. Option granted to renew on similar terms of the agreement up to 2020.

Purpose of the transactions

The premises leased by our Group under the above Lease Agreements nos. 1, 2, 4, 5 and 8 are for the purpose of our Group’s operation of 4S Businesses. The land leased by our Group under the above lease agreement no. 3 is also for the purpose of our Group’s operation of 4S Businesses. The premises leased by our Group under the above lease agreements no. 6 and 7 are for the purpose of our Group’s operation of logistics and storage businesses.

(3) *The views of our Directors on the lease arrangements*

[●]

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDER

Joy Capital (which is ultimately attributable to The Grand Glory Trust) will be our Controlling Shareholder holding [●]% of the issued share capital of our Company. The beneficiaries under The Grand Glory Trust include members of the Wang Family.

Apart from the connected transactions set out in the sections headed “Contractual Arrangements” and “Connected Transactions” in this document, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholder upon or shortly after the [●].

Information on other companies owned by Joy Capital, Mr. Wang Muqing and their associates

Immediately following completion of the Reorganisation concerning our Operating Group, Mr. Wang Muqing and his family members remained interested in the entirety of the equity interest in Hubei Shengze. Hubei Shengze is an investment-holding company which holds (i) the equity interest in the PRC Operating Entities, (ii) real estate properties and/or the entirety or a majority of the equity interest in certain property development and investment companies; and (iii) certain dormant or trading companies engaged in the trading of steel materials, whose business were neither related to 4S dealership store nor property development. In mid-August 2010, approximately 29.6% of the equity interest of Hubei Shengze was subscribed for by a trustee company in the PRC which held such interest on behalf of the Hubei Branch, China Construction Bank Corporation. In order to raise funds to pursue property development, Hubei Shengze entered into negotiations with the relevant financial institution on different modes of investment and finally agreed to adopt the mode of equity-financing. Under such arrangement, Hubei Shengze raised RMB 500 million in consideration of such financial institution (through its nominated trustee company) acquiring about 29.6% of Hubei Shengze’s equity interest. Such consideration was determined having regard to the net asset value of Hubei Shengze. Such fund-raising exercise was completed in August 2010. Following completion, the board of directors of Hubei Shengze has five members, of which three are nominated by the Wang Family while two are nominated by the trustee company. The investment agreements contain certain usual minority-interest protection provisions (including mainly subject to the trustee’s (or its nominee directors’) consent, restrictions on changing the capital structure of Hubei Shengze, changing in its principal business, carrying on merger and restructuring activities involving Hubei Shengze or making material investments). Under the investment agreements, upon the expiry of two years after completion of the said subscription, the trustee company may divest its equity-holding by different means such as listing, transfer or repurchase. If the trustee company elects to exercise right to require Hubei Shengze to repurchase the equity-interest then held by it, Hubei Shengze is obliged to repurchase such equity-interest at a consideration equal to the original subscription price plus a premium calculated at the rate of 15% per annum). A member of the Wang Family gave a personal guarantee to secure the performance of the obligations of Hubei Shengze and the original registered holders of equity interest in Hubei Shengze under the above investment agreements. Hubei Shengze applied the proceeds from such capital-subscription exercise to the construction of new premises which may be used as 4S dealership stores. Our Group has a first right of refusal to lease or acquire such properties developed by these property development subsidiaries of Hubei Shengze.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Members of our Equity-held Group, through the Contractual Arrangements, manage to maintain an effective control over the financial and operational policies of the PRC Operating Entities and are entitled to the economic benefits derived from the operations of the PRC Operating Entities. As such minority shareholder is not an immediate shareholder of the PRC Operating Entities, it has not entered into any agreement which constitutes the Contractual Arrangement, and is not strictly bound by the terms of the Contractual Arrangement. Despite that, the minority shareholder of Hubei Shengze (including both the said trustee company and the financial institution concerned) has given an undertaking in favour of Hubei Shengze to the effect that where any shareholders agreement is to be made between the shareholders of Hubei Shengze concerning the shareholders’ rights, management and/or operation of Hubei Shengze and its subsidiaries, the existing PRC Operating Entities and any subsidiaries which in the future will enter into Contractual Arrangements with our Group shall not be bound by the terms of such shareholders’ agreement, and the terms of agreements which constitute the Contractual Arrangements shall always prevail over those of any shareholders’ agreement so made. Our PRC Legal Advisors has advised us that the said undertaking is legally binding on and enforceable against such minority shareholder under the PRC laws. Accordingly, such investment or shareholding in Hubei Shengze by the minority shareholder will not affect the validity or enforceability of the Contractual Arrangements or the Company’s indirect interests in the PRC Operating Entities.

The following are subsidiaries of Hubei Shengze (collectively, the “Excluded Group”) as at the Latest Practicable Date, which are not part of the Operating Group:

Name of company	Director(s) of such company	Principal activities	Remarks
Wuhan Xingbohan Trading Co., Ltd.* (武漢欣博恒貿易有限公司)	Li Ming (李明)	This company has since 2007 been dormant. Before becoming dormant, it was engaged in trading of steel materials.	Hubei Shengze plans to use this company to develop or hold properties.
Wuhan Shengze Jiezhong Logistics Co., Ltd* (武漢聖澤捷眾物流有限公司)	Li Ming (李明)	This company has not commenced carrying on any business.	Hubei Shengze plans to use this company to develop or hold properties.
Wuhan Shengze Jieyun Trading Co., Ltd.* (武漢聖澤捷運貿易有限公司)	Li Ming (李明)	This company has not commenced carrying on any business.	Hubei Shengze plans to use this company to develop or hold properties.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Name of company	Director(s) of such company	Principal activities	Remarks
Hubei Shengze Dingjie Trading Co., Ltd.* (湖北聖澤鼎傑貿易有限公司*, a newly established company which arose from the demerger of Hubei Dingjie, one of the PRC Operating Entities)	Li Ming (李明)	This company has not commenced carrying on any business.	
Hubei Rushi Land Co., Ltd.* (湖北瑞獅置業有限公司)	Hu Jun (胡軍)	Investment in real estate	
Wuhan Shengze Baoze Trading Co., Ltd.* (武漢聖澤寶澤貿易有限公司, a company which arose from the demerger of Wuhan Baoze, a PRC Operating Entity)	Li Ming (李明)	This company has not commenced carrying on any business.	
Wuhan Jiangyong Investment Co., Ltd.* (武漢江融投資有限公司)	Li Ming (李明)	This company has not commenced business.	
Beijing Baoze Automobile Technology Development Co., Ltd.* (北京寶澤汽車科技發展有限公司)	Li Ming (李明)	Property holding	
Shanghai Dingze Automobile Trading Co., Ltd.* (上海鼎澤汽車貿易有限公司)	Li Ming (李明)	This company has not commenced business.	Hubei Shengze plans to use this company to hold or develop properties.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Name of company	Director(s) of such company	Principal activities	Remarks
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.* (內蒙古聖澤鼎杰汽車貿易有限公司, a company which arose from the demerger of Inner Mongolia Dingjie which is one of the PRC Operating Entities)	Li Ming (李明)	Property holding	
Xinjiang Meilin Trading Co., Ltd.* (新疆美林貿易有限公司)	Wu Yajun (吳雅娟)	This company has since 2007 been dormant	
Handan City Meixing Trading Co., Ltd.* (邯鄲市美興貿易有限公司)	Li Ming (李明)	This company has since 2007 been dormant	
Changsha Shengze Ruibao Electronic Trading Co., Ltd.* (長沙聖澤瑞寶電子產品貿易有限公司 *, a newly established company arising from the demerger of Changsha Ruibao, one of the PRC Operating Entities)	Li Ming (李明)	Property holding	

Reasons for not including the Excluded Group in our Group

Our Directors have considered that it is either unnecessary or it is not in the best interest of our Group to include the Excluded Group in our Group because they are either investment holding companies or have been dormant since the commencement of the Track Record Period.

In order to focus on the principal businesses of our Group, we have not included the entities of the Excluded Group as members of our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

PRC Operating Entities

For the PRC Operating Entities which are regarded as subsidiaries of the Group but in which the Company does not have actual shareholding, they have not been included in the Equity-held Group due to the current restrictions under the PRC laws and/or regulations (please refer to the section headed “Contractual Arrangements” in this document). Pursuant to the Contractual Arrangements, the nominees of Wuhan Jietong (a member of our Equity-held Group) are authorized to exercise the rights of shareholders of the PRC operating Entities (except for the PRC OpEnt Minority Interests) and to ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operating Entities (except for the PRC OpEnt Minority Interests) shall be paid to Wuhan Jietong within three days from the receipt of the payment. Pursuant to the Exclusive Option Agreements, Rising Wave has been granted options to acquire the entire equity interest in the PRC Operating Entities (except for the PRC OpEnt Minority Interests) when so allowed by the applicable PRC laws and regulations. Our Directors consider that the Contractual Arrangements are sufficient to ensure that the turnover and profits of the PRC operating Entities are consolidated as subsidiaries of our Company and that the business model of the Group is in full compliance with all existing PRC laws and the provisions of the respective articles of association of the PRC Operating Entities.

Potential PRC Operating Entities

At the request of Wuhan Jietong, during the month of September 2010 and November 2010, Hubei Shengze established four companies in the PRC (namely, 包頭眾銳汽車銷售服務有限公司 (Baotou Zhongrui Automobile Sales Services Co., Ltd.*), 上饒市寶澤汽車銷售服務有限公司 (Shangyao City Baoze Automobile Sales Services Co., Ltd.*), 烏蘭察布市鼎盛汽車銷售服務有限公司 (Wulancaobu City Dingsheng Automobile Sales Services Co., Ltd.*) and 襄樊寶澤汽車銷售服務有限公司 (Xiangfan Baoze Automobile Sales Services Co., Ltd.*)), which entered into preliminary letters of intent with some automobile manufacturers for establishment of 4S dealership stores in the future. Under such letters of intent, there are some major steps to be taken before the automobile manufacturers will enter into formal dealership authorization agreements with the respective companies. Accordingly, we will enter into the Contractual Arrangements with such companies and their equity-holder (namely, Hubei Shengze) only when it is clear as considered by our Directors that there are no major impediments to the relevant automobile manufacturers entering into formal dealership authorisation agreements with these entities.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Save as otherwise disclosed in the sections headed “Contractual Arrangements” and “Connected Transactions” in this document, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders. Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Business independence

Our Group was founded by Mr. Wang Muqing and other members of the Wang Family in 1999. In 2001, an Operation and Management Committee was established to separate ownership and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

management of our Group. The Operation and Management Committee has now become the management authority of the Group. Members of the Operation and Management Committee have become either executive members of our Company or continued to work for us as senior management of the Group. Mr. Wang has not been a director of any member of our Group except for the Company, though being a controlling shareholder of the Group prior to the Reorganisation and remaining the sole owner of Hubei Shengze which then held all or a majority of the equity interests in the PRC Operating Entities, Mr. Wang has been entrusting the Operation and Management Committee to manage the business of the Group.

Save for the related party transactions disclosed in note 29 of the accountants’ report of our Company set out in Appendix I to this document, there were no business dealings between our Group and the members of the Excluded Group during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group and the Wang Family did not have any common or shared facilities or resources. Our Group has independent access to the sources of supplies for the provision of our 4S dealership services. Neither our Controlling Shareholder nor any of its associates is a supplier or intermediary for our Group’s supplies. We have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholder or his associates to carry on its business during the Track Record Period.

Though there are some premises leased by the Excluded Group to some of our PRC Operating Entities, the proportion is comparatively small both in terms of the total number of 4S dealership stores and gross floor area leased by our PRC Operating Entities. As there are other premises in the neighbourhood which may be used for dealership store purposes, and our rentals payable to the Group generally follow market rate, our Directors do not consider that there is any undue reliance in connection with the leasing of premises for 4S dealership store purposes.

Management and Administrative Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In case of a conflict of interest, the interested Directors shall (unless invited by the Board to attend a meeting solely for the purpose of supplying information on the relevant matters) absent themselves from participation and voting in meetings of the Board.

Save for Mr. Wang Muqing being the Chairman of our Company who does not assume an executive role, all essential management functions (such as opening and closing of 4S dealership

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

stores, establishment and dissolution of dealership store with automobile manufacturers, financial and accounting management, invoicing and billing and human resources) have been and will be carried out by the other directors and management of our Group. Our Directors are of the view that Our Group is capable of managing our business independently from our Controlling Shareholders.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has its own internal control and accounting system, accounting and finance department, independent treasury function for receiving cash/making payments and independent access to third party financing.

In addition, several unsecured bank loans were granted to the PRC Operating Entity amounting to RMB 91.7 million, RMB 71.5 million, RMB 124.2 million and RMB 137.8 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 respectively which were guaranteed by Hubei Shengze and/or some members of the Wang Family. As it is a common practice for PRC banks to request for third-party collaterals to be given regarding lendings to corporate entities, while the PRC Operating Entities have been companies controlled and owned by the Wang Family, the said collaterals were given by Hubei Shengze and/or members of the Wang Family. These guarantees and collaterals will be released.

Save as aforesaid, our Group does not rely on the Controlling Shareholders and/or their associates by virtue of their provision of financial assistance.

Confirmation given by other Directors

Each Director confirms that save as disclosed in this document, he does not have any competing business with our Group.

Corporate Governance

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. We would adopt the following corporate governance measures in relation to managing potential conflict of interests (if any) between our Group and our Directors (including independent non-executive Directors and the Controlling Shareholder):

- (a) Each Director has, pursuant to his service contract or engagement letter, covenanted with and undertaken to our Company that during the term of his service or appointment, he shall not, and shall procure that none of his associates shall, directly or indirectly, be engaged in or concerned with or interested in any business which is or may be in any respect in competition with the business carried on from time to time by our Group or any of the companies within our Group. However, the aforesaid restriction does not prohibit the holding (directly or through nominees) by a Director of any securities listed on any stock exchanges as long as not more than 5% of the total voting rights attaching to the securities of the same class shall be so held (or, if such investment or holding is over 5%, our Directors concerned should seek the Board's prior written approval before making the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

relevant investment (with the relevant Director abstaining from voting)) and shall not restrict the holding of any securities of our Company. Subject to the exceptions as aforesaid, for a period of one year after the expiry or the termination of his service or appointment, a Director shall not, and shall procure that none of his associates will, directly or indirectly, engage or be engaged in Hong Kong or those regions and markets within the PRC or elsewhere in which any member of our Group operates or has operated any part of its business from time to time, whether directly or indirectly, in any business which is or may be in competition with the business carried on from time to time by our Group or any of the companies within our Group.

In principle, the Board will give its written approval for Directors to hold more than 5% of the total voting rights in any listed securities (“Investee Company”) when it considers that such holding will not prejudice the interest of the Company and its Shareholders as a whole. In particular, a balance of the following criteria will be taken into account:

- (1) the turnover contributed by the competing or possibly competing sector as compared with the total turnover of the Investee Company - if the contribution is insignificant, the Board may, on balance, be more inclined to allow the 5% or more shareholding in the Investee Company;
 - (2) the shareholding structure of the Director concerned in the Investee Companies after such investment - if the Director concerned will become the single largest shareholder of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company;
 - (3) the entitlement to board seat by the relevant Director in the Investee Company - if the Director concerned will also be entitled a major portion of the board seat of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company; and
 - (4) other applicable factors (e.g. market sentiment, the development strategy of our Group at the material time) which the Board considers relevant from time to time.
- (b) Where a Board meeting is to be held for considering proposed transactions in which the Controlling Shareholder/Director(s) has a material interest, the Controlling Shareholder and/or the relevant Director concerned may not vote on the resolutions of the Board approving the same and shall not be counted in the quorum for the voting so as to ensure the relevant matters will be considered by disinterested Directors only.
- (c) Where the advice from independent professional, such as that from financial advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company’s expenses.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed “Warning” on the cover of this Web Proof Information Pack.

FUTURE PLANS

FUTURE PLANS

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

FINANCIAL INFORMATION

OVERVIEW

We are the second largest BMW dealer and a major 4S dealership group in China focused on premium brands such as BMW, MINI and Audi. According to ACRM, we ranked second in terms of the number of BMW 4S dealership stores in China with arrangements to operate 10 BMW dealership stores and ranked 21st in terms of turnover in 2009 in the highly fragmented PRC automobile dealership industry. Sales of BMW and MINI branded automobiles accounted for 50.9% of our sales of new automobiles for the six months ended 30 June 2010, while sales of Audi branded automobiles accounted for 8.4% for the same period. In addition to our premium brands dealership stores, we also operate dealership stores for middle market brands such as Nissan, Buick, Hyundai, Honda and Chevrolet. Sales of Nissan, Buick, Hyundai, Honda and Chevrolet branded automobiles accounted for 15.7%, 9.6%, 3.6%, 3.2% and 3.0% of our sales of new automobiles for the six months ended 30 June 2010 respectively. Since 1999 when we established our first dealership store in Shanghai, we have successfully expanded our automobile dealership business to regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population. Our automobile dealership business covers 14 cities in both the large, established automobile markets of the affluent regions of China as well as the rapidly developing regions, such as Beijing, Shanghai, Guangzhou, Zhuhai, Dongguan, Shantou, Baotou, Nanchang, Chenzhou, Yichang, Hohhot, Changsha, Wuhan and Shiyan.

Each of our dealership stores is a 4S dealership store that integrates four principal automobile-related businesses, i.e. sales, spare parts, service and survey, and offers a broad range of sales and services, including (i) sales of new automobiles, (ii) after-sales services, which include maintenance and repair services and sales of spare parts and accessories and (iii) automobile agency services, which include automobile financing, insurance and registration agency services. Our ability to offer comprehensive automotive solutions to our customers and customer-focused business model foster long-term relationships with our customers and enable us to generate robust recurring turnover. Our dealership stores have received multiple recognitions and awards: our Yichang BMW dealership store was named one of the top 10 BMW dealership stores for dealer quality in China by BMW in 2009 and our Hubei Audi dealership store received the Silver Prize in Audi’s marketing competition in 2009. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from sales of new automobiles was RMB 2,650.6 million, RMB 2,661.8 million, RMB 4,270.5 million and RMB 2,684.6 million respectively, representing 91.1%, 87.4%, 85.8% and 85.8% of our total turnover in such periods. For such periods, the gross profits of our sales of new automobiles were RMB 90.9 million, RMB 103.6 million, RMB 198.1 million and RMB 148.0 million, accounting for 51.8%, 47.0%, 47.8% and 51.2% of our total gross profits. Turnover generated from after-sales services was RMB 205.8 million, RMB 267.8 million, RMB 380.4 and RMB 242.9 million respectively, representing 7.1%, 8.8%, 7.6% and 7.8% of our total turnover in such periods. For such periods, the gross profits of our after-sale services were RMB 72.8 million, RMB 99.7 million, RMB 149.3 million and RMB 101.2 million, representing gross margins of 35.4%, 37.2%, 39.2% and 41.6% respectively, accounting for 41.4%, 45.3%, 36.0% and 35.0% of our gross profits in the respective periods.

FINANCIAL INFORMATION

To further strengthen our relationships with automobile manufacturers and complement our automobile dealership business, we established our logistics services business in 2002. Leveraging the existing network of our automobile dealership stores and logistics services business, we established our lubricant oil trading business in 2008 to capture the increasing market demand and enhance our after-sales services. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, turnover generated from our logistics services business was RMB 52.8 million, RMB 83.7 million, RMB 128.4 million and RMB 73.8 million respectively, representing 1.8%, 2.7%, 2.6% and 2.4% of our total turnover in such periods and turnover generated from our lubricant oil trading business was nil, RMB 32.3 million, RMB 201.8 million and RMB 126.6 million respectively, representing nil, 1.1%, 4.0% and 4.0% of our total turnover in such periods. With our track record, our experiences in the automobile dealership industry and the relationships we have fostered with automobile manufacturers, we believe that we are well positioned to secure additional dealership rights from automobile manufacturers. As of 30 June 2010, we operated 22 dealership stores and we have entered into letters of intent which will allow us to open one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, the operations of which are expected to commence operation by the end of 2010.

Our rapid expansion and highly efficient operations have enabled us to capture the opportunities in China’s fast-growing automobile market. Our turnover increased from RMB 2,909.2 million in 2007 to RMB 3,045.6 million in 2008 and to RMB 4,981.2 million in 2009, representing a CAGR of 30.9%, while our profit from operations for the same periods amounted to RMB 75.7 million, RMB 87.0 million and RMB 225.0 million respectively, representing a CAGR of 72.4%. Our turnover increased from RMB 2,045.0 million for the six months ended 30 June 2009 to RMB 3,127.9 million for the six months ended 30 June 2010, while our profit from operations increased from RMB 61.6 million to RMB 185.8 million for the same periods.

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The following table sets forth our combined statement of comprehensive income for the periods indicated.

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
<i>(unaudited)</i>					
Combined statements of comprehensive income					
Turnover	2,909,186	3,045,591	4,981,174	2,045,021	3,127,922
Cost of sales.....	(2,733,632)	(2,825,301)	(4,566,633)	(1,892,344)	(2,838,727)
Gross profit	175,554	220,290	414,541	152,677	289,195
Other revenue.....	17,696	17,460	23,942	9,993	18,189
Other net income.....	3,522	4,466	7,182	2,660	4,996
Selling and distribution expenses.....	(69,850)	(84,540)	(138,337)	(60,329)	(69,177)
Administrative expenses.....	(51,242)	(70,702)	(82,334)	(43,415)	(57,434)
Profit from operations	75,680	86,974	224,994	61,586	185,769
Finance costs.....	(23,356)	(38,546)	(31,465)	(16,320)	(21,953)
Share of profit of an associate or a jointly controlled entity.....	—	—	4,570	408	3,657
Gain on remeasurement of previously held equity interest in a jointly controlled entity.....	—	—	—	—	3,177
Gain on bargain purchase.....	—	—	—	—	27,266
Profit before taxation	52,324	48,428	198,099	45,674	197,916
Income tax.....	(20,654)	(12,950)	(48,277)	(11,072)	(39,537)
Profit for the year/period	31,670	35,478	149,822	34,602	158,379
Profit attributable to:					
Equity holder of the Company.....	31,670	33,805	145,854	32,048	153,101
Non-controlling interests.....	—	1,673	3,968	2,554	5,278
Other comprehensive income for the year/period, net of tax	479	1,859	62	18	343
Total comprehensive income for the year/period	32,149	37,337	149,884	34,620	158,722
Earnings per share					
Basic and diluted (RMB cent).....	2.1	2.3	9.7	2.1	10.2

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The following table sets forth our combined balance sheets as of the dates indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Non-current assets				
Fixed assets				
Investment properties	11,476	11,057	10,639	10,429
Other property, plant and equipment	301,813	297,644	340,643	404,052
Lease prepayments	131,850	128,810	150,265	162,412
Intangible assets	363	363	363	60,095
Goodwill	—	—	—	16,236
Interest in an associate	—	—	38,677	—
Interest in a jointly controlled entity	—	—	—	113,777
Deferred tax assets	3,186	5,710	2,225	1,641
Total non-current assets	448,688	443,584	542,812	768,642
Current assets				
Inventories	237,375	309,825	295,312	764,703
Trade and other receivables	247,950	398,806	598,874	539,621
Pledged bank deposits	188,379	234,827	894,853	1,024,241
Cash and cash equivalents	49,789	54,795	176,898	120,647
Total current assets	723,493	998,253	1,965,937	2,449,212
Current liabilities				
Trade and other payables	687,784	976,485	1,634,000	2,023,992
Loans and borrowings	397,977	337,594	348,517	465,273
Income tax payables	17,064	22,569	60,506	35,369
Total current liabilities	1,102,825	1,336,648	2,043,023	2,524,634
Net current liabilities	(379,332)	(338,395)	(77,086)	(75,422)
Total assets less current liabilities	69,356	105,189	465,726	693,220
Non-current liabilities				
Deferred tax liabilities	3,957	5,422	6,061	21,317
Total non-current liabilities	3,957	5,422	6,061	21,317
Net assets	65,399	99,767	459,665	671,903
Equity				
Share capital	128,600	126,800	223,500	202,500
Reserves	(63,201)	(36,206)	220,524	429,365
Equity attributable to equity holder of the Company	65,399	90,594	444,024	631,865
Non-controlling interests	—	9,173	15,641	40,038
Total equity	65,399	99,767	459,665	671,903

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BASIS OF PRESENTATION

The combined statements of comprehensive income and the combined cash flow statements of the Group for the Track Record Period have been prepared on a combined basis and include the results of operations of the companies now comprising the Group for the Track Record Period as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2009 and 2010 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at those dates or since their respective dates of acquisition/incorporation/establishment where they did not exist at those dates. All material intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand for automobiles in the PRC

Each of our automobile dealership, automobile logistics services and lubricant oil trading businesses is dependent on demand for automobiles in the PRC. Our automobile dealership business retails premium and ultra premium and middle market branded automobiles and is directly affected by the demand for premium and ultra premium and middle market branded automobiles in the PRC. The primary customers of our logistics services and lubricant oil trading businesses are automobile manufacturers of middle market branded automobiles in the PRC. Demand for middle market branded automobiles affects the production levels of these automobile manufacturers, which in turn affects the demand by these customers for our logistics services and automobile lubricant oil.

According to ACMR, the sales value of premium branded automobiles is forecast to increase from RMB 200 billion in 2009 to RMB 434 billion in 2012, representing a CAGR of 29.5%, and the sales value of middle market branded automobiles is expected to increase from RMB 702 billion in 2009 to RMB 1,226 billion in 2012, representing a CAGR of 20.4%. Market demand for automobiles in China is driven by various factors including, among others, the growth of individual wealth, continued urbanization of the Chinese population and improvement of China’s highway networks and other infrastructure. The rapid growth of the PRC economy has led to accelerated urbanization and an increase in living standards and per capita disposable income, which has driven the increasing demand for automobiles in the PRC. Furthermore, as the size of the upper-middle class has increased in China, the consumption of premium brands, including automobiles, has also increased. A significant change in the factors driving market demand for automobiles in China could have a significant effect on our business and prospects.

Our dealership network

Our sales of new automobiles are directly affected by the number, location and performance of our dealership stores. In response to the increasing demand for premium branded automobiles, we have rapidly expanded our automobile dealership business to 14 cities in both the large, established

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automobile markets of the affluent regions of China, including Beijing, Shanghai, Dongguan and Zhuhai, as well as the rapidly developing regions where we expect substantial demand for premium branded automobiles from an increasingly affluent Chinese population such as Inner Mongolia, Hunan, Hubei and Jiangxi. As of 30 June 2010, we had 22 dealership stores in operation, and in addition, have entered into letters of intent for one BMW dealership store in Guangzhou and one Audi dealership store in Shanghai, which are expected to commence operation by the end of 2010.

Our ability to maintain and expand our dealership network is dependent on our ability to secure dealership authorization agreements for desirable automobile brands in attractive locations on acceptable terms. We believe that our track record and established relationships with automobile manufacturers well position us to enter into dealership authorization agreements with automobile manufacturers, particularly for premium brands and to continue to expand our dealership network.

Product and service mix

Changes in product and service mix in connection with our sale of goods and provision of services may affect our profitability and gross margins. Our automobile dealership business generally generates a higher amount of turnover but has lower gross margins. Our logistics services and lubricant oil trading businesses generally generate a lower amount of turnover but have higher gross margins. Our dealership business generated turnover of RMB 2,856.4 million, RMB 2,929.6 million and RMB 4,650.9 million and had gross margins of 5.7%, 6.9% and 7.5% for the years ended 31 December 2007, 2008 and 2009. Our dealership business generated turnover of RMB 2,927.5 million and had gross margins of 8.5% for the six months ended 30 June 2010. In comparison, our logistics services and lubricant oil trading businesses together generated turnover of RMB 52.8 million, RMB 116.0 million and RMB 330.3 million and had gross margins of 22.6%, 14.7% and 20.3% for the years ended 31 December 2007, 2008 and 2009. Our logistics services and lubricant oil trading businesses together generated turnover of RMB 200.4 million and had gross margin of 20.0% for the six months ended 30 June 2010.

The aggregate gross profit margins from our new automobile sales vary in accordance with the distribution of our sales attributable to middle market branded automobiles and premium and ultra premium branded automobiles, with premium and ultra premium branded automobiles generating generally higher gross margins. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, gross margins of sales of premium and ultra premium branded automobiles was 5.3%, 5.5%, 4.9% and 6.5% respectively, compared to gross margins of sales of middle market branded automobiles of 2.1%, 2.3%, 4.4% and 4.0% respectively, for the same period. In addition, the gross margins of our business are also impacted by our after-sales services which generally have higher gross margins than sales of both premium and ultra premium brands, and middle market automobiles. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, after-sales services had gross margins of 35.4%, 37.2%, 39.2% and 41.6% respectively. The overall gross margins of our dealership business have increased during the Track Record Period primarily as a result of shift in product and service mix towards sales of premium and ultra premium branded automobiles and the growth of after-sales services.

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We expect to continue to increase our gross margin, albeit at a lower rate of increase, as we continue to open new premium and ultra premium brands dealership stores and expand our customer base, which we expect to shift our turnover towards higher margin sales of premium and ultra premium brands automobiles and provision of after-sales services. However, we expect the growth of our dealership business to exceed the growth of our logistics services and lubricant trading businesses. Our ability to maintain and increase our turnover and gross margin will depend in part on our ability to manage our product and service mix.

Incentive rebates from automobile manufacturers

Automobile manufacturers often include purchase volume or sales-based incentive rebates in our arrangements with them. These incentive rebates are generally determined with reference to the units of new automobiles we purchase or sell, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including customer satisfaction indexes and dealership retail standards. For the years ended 31 December 2007, 2008 and 2009, we recorded incentive rebates of approximately RMB 107.6 million, RMB 145.6 million and RMB 242.6 million, representing an effective incentive rebate rate of 4.1%, 5.5% and 5.7% of our turnover from sales of new automobiles respectively. For the six months ended 30 June 2010, we recorded incentive rebates of approximately RMB 119.5 million, representing an effective incentive rebate rate of 4.5%. The decrease in incentive rebates rate as a percentage of turnover from sales of new automobiles in the six months ended 30 June 2010 as compared to the year ended 31 December 2009 was primarily due to the decrease in incentive rebates offered by automobile manufacturers for certain new models sold in our 4S dealership stores in the six months ended 30 June 2010. The increase in incentive rebates as a percentage of turnover from sales of new automobiles from the year ended 31 December 2008 as compared to the year ended 31 December 2009 was due to the increased incentive rebate rates offered by automobile manufacturers at the beginning of 2009. Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held on the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. As a result, our results of operations and business are affected by the incentive rebates we obtain from automobile manufacturers. See the section headed “Risk Factors — Risk Relating to Our Business and Industry — There can be no assurance that we will continue to receive incentive rebates from automobile manufacturers” in this document.

Terms and conditions of our agreements with automobile manufacturers

Automobile manufacturers grant us the rights to operate our dealership stores and supply new automobiles and spare parts to us. Accordingly, our results of operations and financial condition are affected by the terms and conditions of our agreements with automobile manufacturers. For example, under our dealership authorization agreements with automobile manufacturers, automobile manufacturers may subject the operations of our dealership store to various restrictions including setting geographical limitations on our dealership business, precluding us from obtaining additional dealership rights for failing to meet the relevant automobile manufacturer’s performance criteria, including those relating to sales results, customer satisfaction indexes and store presentation, influencing the placement of fixtures in our dealership stores, restricting our ability to provide loan guarantees or other forms of collateral, thus adversely impacting our ability to obtain financing for our business, and influencing the management of our dealership stores. Such restrictions and any future

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changes to them may affect our competitiveness with respect to our pricing policy, ability to meet customers’ demands, product and service mix, management of our dealership stores, and other aspects of our operation, as well as our financial condition. See the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our business operations are subject to restrictions imposed under our dealership authorization agreements with automobile manufacturers” in this document.

Pricing

The pricing of new automobiles sold in our dealership business is affected by the price sensitivity of customers and competition with other dealership stores in the same region who sell the same brands and models of automobiles as we do. In addition, automobile manufacturers may also recommend price guidelines under their agreements with us. In general, purchasers of premium and ultra premium branded automobiles are less price sensitive compared to purchasers of middle market branded automobiles.

The following table sets forth the average selling prices and number of automobiles sold by segment during the Track Record Period.

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)	Sales volume	Average selling price (RMB)
Premium and ultra premium brands...	2,210	501,919	2,745	483,894	4,637	483,120	1,851	470,572	3,196	518,227
Middle market brand.....	13,257	116,270	11,768	113,319	16,961	119,700	7,236	117,758	8,107	126,849
Total/overall	<u>15,467</u>	<u>171,373</u>	<u>14,513</u>	<u>183,410</u>	<u>21,598</u>	<u>197,725</u>	<u>9,087</u>	<u>189,625</u>	<u>11,303</u>	<u>237,514</u>

We attribute the increase in sales of premium and ultra premium branded automobiles during the Track Record Period to the growth of the PRC premium and ultra premium automobile market in general, the opening, the ramping up of new dealership stores, and the continued optimization of our dealership operations. We opened three new premium brands dealership stores in the year ended 31 December 2007, one new premium brands dealership store in the year ended 31 December 2008, one new premium brands dealership store in the year ended 31 December 2009, and two premium brands dealership stores and one ultra premium brands dealership store in the six months ended 30 June 2010. We also acquired one premium brands dealership store in June 2010. In addition, we have also continued to optimize our dealership operations during the Track Record Period particularly in our sales and marketing strategies.

We attribute the growth in sales volumes of middle market branded automobiles from the year ended 31 December 2008 to the year ended 31 December 2009 primarily to the growth of the PRC middle market brands automobile market overall as a result of the recovery from global financial crisis and tax incentives for purchases of certain models of middle market branded automobiles. According

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to ACMR, sales values of middle market branded automobiles increased by 35% from the year ended 31 December 2008 to the year ended 31 December 2009. In addition, the average selling prices of our middle market branded automobiles increased, which we attribute primarily to increased sales of higher priced middle market automobiles models that were introduced by automobile manufacturers. From the year ended 31 December 2007 to the year ended 31 December 2008, sales volumes of our middle market branded automobiles decreased primarily due the discontinuation of sales of trucks and Peugeot branded automobiles, while average selling prices decreased slightly due to the global financial crisis. We opened two new middle market brands dealership stores during the Track Record Period.

Our logistics services and lubricant oil trading businesses

Our logistics services and lubricant oil trading business accounted for 1.8%, 3.8%, 6.6% and 6.4% of our turnover and 6.8%, 7.7%, 16.2% and 13.8% of our gross profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. The success of our logistics services business is affected by our geographic reach and capabilities. As of 30 June 2010, our logistics services business was capable of serving all provinces in China, except Tibet and Qinghai, through four representative offices and a fleet of more than 104 trucks. The success of our lubricant oil trading business is dependent on our ability to retain and develop our customer base to increase the volume of lubricant oil we sell and our ability to procure quality lubricant oil at a reasonable cost. Our cost of purchasing lubricant oil and the price at which we re-sell are impacted by the market price for oil although our cost and the price we command are typically both determined by reference to the market price of crude oil. Since we commenced operations of our lubricant oil trading business, we have ramped up sales to our primary customer, Dongfeng Nissan.

Taxation

During the Track Record Period, some of our subsidiaries in the PRC enjoyed preferential tax treatments pursuant to applicable tax laws and regulations of the PRC and local policies. These subsidiaries were entitled to exemptions from and/or reductions of the state or local enterprise income tax for certain years as confirmed by the relevant tax authorities in the PRC. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our effective tax rates were 39.5%, 26.7%, 24.4% and 20.0% respectively. The significantly higher effective tax rate in 2007 was primarily due to higher statutory income tax rate in 2007 prior to the effectiveness of the EIT Law in 2008 and certain of our expenses being non-deductible for profit tax purposes including certain business entertainment expenses, certain social welfare contributions and certain expenditures related to employee salaries and benefits.

According to the EIT Law which became effective on 1 January 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% since 2008, except for Wuhan Jietong, which was exempted from income tax for 2007 and 2008 and is subject to income tax at a rate of 12.5% for 2009 to 2011, and 25% thereafter.

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Sales of new automobiles, spare parts and automobile accessories and turnover generated from our provision of maintenance and repair services are generally subject to a 17% value-added tax (VAT), and our logistics services business is subject to business tax at a rate of 5%. Any modification of the foregoing tax treatments currently applicable to our subsidiaries and jointly-controlled entity will affect our financial condition and results of operations. In addition, since 17 November 2010, as a result of the effectiveness of our Contractual Arrangements, the profit before tax generated by our automobile dealership business, which we operate through our PRC Operating Entities, has been subject to a business tax and other related levies at an aggregate rate of approximately 5.6%. This business tax, as with other business taxes incurred by our Company, will be deducted from our gross turnover prior to the determination of our profit before taxation for enterprise income tax purposes.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. 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. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 1 and 30 to the Accountants’ Report included in Appendix I to this document.

Judgments and Estimates

The preparation of our Group’s combined financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of 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.

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 document, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Turnover

We generate turnover from our dealership business and our logistics services and lubricant oil trading business. For the years ended 31 December 2007, 2008 and 2009, we generated turnover of RMB 2,909.2 million, RMB 3,045.6 million and RMB 4,981.2 million, of which 98.2%, 96.2% and

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93.4% was attributable to our dealership business, and 1.8%, 3.8% and 6.6% was attributable to our logistics services and lubricant oil trading businesses. For the six months ended 30 June 2010, we generated turnover of RMB 3,127.9 million, of which 6.4% was attributable to our logistics services and lubricant oil trading businesses.

In our dealership business, we generate turnover from (i) sales of automobiles and (ii) provision of after-sales businesses. Turnover generated in our dealership business does not include turnover from the provision of automobile agency services, which are instead included in our other turnover. Sales of automobiles are comprised of sales of new premium and ultra premium, and middle market branded automobiles. Turnover from sales of premium branded automobiles were RMB 1,109.2 million, RMB 1,328.3 million and RMB 2,240.2 million for the years ended 31 December 2007, 2008 and 2009. Turnover from sales of middle market branded automobiles were RMB 1,541.4 million, RMB 1,333.5 million and RMB 2,030.2 million for the same periods. For the six months ended 30 June 2010, turnover from sales of premium and ultra premium branded automobiles was RMB 1,656.3 million and turnover from sales of middle market branded automobiles was RMB 1,028.4 million. We attribute the increase in our turnover from sales of premium branded automobiles during the Track Record Period to the growth of the PRC automobile market in general, our opening of additional premium and ultra premium brands dealership stores and the continued optimization of our dealership operations, particularly our training and incentives for our sales personnel. Turnover from provision of after-sales services amounted to RMB 205.8 million, RMB 267.8 million, RMB 380.4 million and RMB 242.9 million, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. We attribute the increase in turnover primarily from provision of after-sales services during the Track Record Period to the expansion of our customer base.

Turnover from our logistics services and lubricant oil businesses were RMB 52.8 million, 116.0 million and 330.3 million for the years ended 31 December 2007, 2008 and 2009 respectively. Turnover from our logistics services and lubricating oil businesses was RMB 200.4 million for the six months ended 30 June 2010. We attribute this increase in turnover during the Track Record Period to the growth of our logistics services business and the ramp-up of our lubricant oil trading business, which commenced operations in September 2008. We expect the growth rate of our logistics services and lubricant oil trading business to be lower than that of for our dealership business and as a result, we expect our logistics services and lubricant oil trading businesses to account for a decreasing proportion of our turnover.

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The following table sets forth a breakdown of our turnover for the periods indicated:

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover
	<i>(unaudited)</i>									
Dealership business										
Sales of new automobiles										
Premium and ultra premium brands	1,109,240	38.1	1,328,290	43.6	2,240,229	45.0	871,029	42.6	1,656,254	53.0
Middle market brand	1,541,386	53.0	1,333,539	43.8	2,030,224	40.8	852,100	41.6	1,028,362	32.8
Total sales of new automobiles	2,650,626	91.1	2,661,829	87.4	4,270,453	85.8	1,723,129	84.2	2,684,616	85.8
After-sales services	205,764	7.1	267,794	8.8	380,448	7.6	166,698	8.2	242,918	7.8
Total dealership business	2,856,390	98.2	2,929,623	96.2	4,650,901	93.4	1,889,827	92.4	2,927,534	93.6
Logistics services and lubricant oil trading	52,796	1.8	115,968	3.8	330,273	6.6	155,194	7.6	200,388	6.4
Total turnover	2,909,186	100.0	3,045,591	100.0	4,981,174	100.0	2,045,021	100.0	3,127,922	100.0

Cost of sales

Our cost of sales consists of costs of sales for our automobile dealership business and our logistics services and lubricant oil trading businesses. For the years ended 31 December 2007, 2008 and 2009, our cost of sales amounted to RMB 2,733.6 million, RMB 2,825.3 million and RMB 4,566.6 million, of which 98.5%, 96.5% and 94.2% were attributable to our automobile dealership business and 1.5%, 3.5% and 5.8% were attributable to our logistics services and lubricant oil trading business. For the six months ended 30 June 2010, our cost of sales amounted to RMB 2,838.7 million, of which 94.3% was attributable to our automobile dealership business and 5.7% was attributable to our logistics services business and lubricant oil trading business.

Cost of sales for our automobile dealership business amounted to RMB 2,692.8 million, RMB 2,726.4 million and RMB 4,303.5 million for the years ended 31 December 2007, 2008 and 2009 and RMB 2,678.3 million for the six months ended 30 June 2010. Cost of sales for our automobile dealership business is comprised of (i) the purchase cost of new premium and ultra premium and middle market branded automobiles from automobile manufacturers after deduction of incentive rebates received from automobile manufacturers and (ii) the costs of sales for after-sales services, including the purchase cost of spare parts and accessories. The purchase cost after deduction of incentive rebates amounted to RMB 1,050.2 million, RMB 1,255.7 million and RMB 2,131.5 million for premium branded automobiles for the years ended 31 December 2007, 2008 and 2009, and RMB 1,509.6 million, RMB 1,302.6 million and RMB 1,940.8 million for middle market branded automobiles for the same periods. The purchase cost after deduction of incentive rebates amounted to RMB 1,549.0 million for premium and ultra premium branded automobiles for the six months ended

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30 June 2010, and RMB 987.6 million for middle market branded automobiles for the same period. The costs of sales for after-sales services amounted to RMB 133.0 million, RMB 168.1 million and RMB 231.2 million for the years ended 31 December 2007, 2008 and 2009. The cost of sales for after-sales services amounted to RMB 141.7 million for the six months ended 30 June 2010.

Cost of sales in our logistics services and lubricant oil trading businesses amounted to RMB 40.9 million, RMB 98.9 million and RMB 263.1 million for the years ended 31 December 2007, 2008 and 2009, and RMB 160.4 million for the six months ended 30 June 2010. Cost of sales for our logistics services and lubricant oil trading businesses is comprised of costs of sales of logistics services and our purchase cost of automobile lubricant oil.

Any significant change to our cost of sales, in particular the cost of new automobiles or incentive rebates, will affect our results of operations and financial condition. Purchase rebates are accrued at each reporting date based on the actual purchasing amounts, corresponding rebate rates as agreed with automobile manufacturers and our management’s estimate on relevant factors, including without limitation, meeting certain sales and service targets set by the relevant automobile manufacturers. Rebates relating to automobiles purchased and sold are deducted from cost of sales, while rebates relating to automobiles purchased but still held on the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates. There is no material discrepancy between accrued rebates and actual rebates we received from automobile manufacturers during the Track Record Period. For the years ended 31 December 2007, 2008 and 2009, we recorded rebates of approximately RMB 107.6 million, RMB 145.6 million and RMB 242.6 million. For the six months ended 30 June 2010, we recorded rebates of approximately RMB 119.5 million.

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The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	% of cost of sales	RMB (in thousands)	% of cost of sales	RMB (in thousands)	% of cost of sales	RMB (in thousands)	% of cost of sales	RMB (in thousands)	% of cost of sales
	<i>(unaudited)</i>									
Dealership business										
Sales of new automobiles										
Premium and ultra premium brands	1,050,189	38.4	1,255,676	44.4	2,131,507	46.7	843,651	44.6	1,549,030	54.6
Middle market brand.....	1,509,568	55.2	1,302,592	46.1	1,940,849	42.5	824,081	43.5	987,554	34.8
Total sales of new automobiles....	2,559,757	93.6	2,558,268	90.5	4,072,356	89.2	1,667,732	88.1	2,536,584	89.4
After-sales services	133,010	4.9	168,104	6.0	231,183	5.0	102,889	5.5	141,749	4.9
Total dealership business.....	2,692,767	98.5	2,726,372	96.5	4,303,539	94.2	1,770,621	93.6	2,678,333	94.3
Logistics services and lubricant oil trading.....	40,865	1.5	98,929	3.5	263,094	5.8	121,723	6.4	160,394	5.7
Total cost of sales	2,733,632	100.0	2,825,301	100.0	4,566,633	100.0	1,892,344	100.0	2,838,727	100.0

Gross Profit

Our gross profit consists of turnover less cost of sales. We generated gross profit of RMB 175.6 million, RMB 220.3 million and RMB 414.5 million, representing a gross margin of 6.0%, 7.2% and 8.3% for the years ended 31 December 2007, 2008 and 2009. We generated gross profit of RMB 289.2 million, representing a gross margin of 9.2% for the six months ended 30 June 2010. The increase in gross margin during the Track Record Period was largely attributable to the increased gross margin in our automobile dealership business as well as a relative increase in turnover generated by our logistics services and lubricant oil trading businesses which generally have higher gross margins than our automobile dealership business.

Our automobile dealership business generated gross profit of RMB 163.6 million, RMB 203.3 million and RMB 347.4 million, representing a gross margin of 5.7%, 6.9% and 7.5% for the years ended 31 December 2007, 2008 and 2009 respectively. Our automobile dealership business generated gross profit of RMB 249.2 million, representing a gross margin of 8.5% for the six months ended 30 June 2010. The increase in gross margin in our automobile dealership business is largely attributable to the ramp-up and expansion of our premium and ultra premium brands dealership stores and corresponding increased sales of premium and ultra premium branded automobiles, which generates higher gross margins compared to middle market branded automobiles. In addition, gross margin in our automobile dealership business also increased as a result of increased turnover from our after-sales services, which has a higher gross margin compared with sales of new automobiles.

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Our logistics services and lubricant oil trading business generated gross profits of RMB 11.9 million, RMB 17.0 million and RMB 67.2 million, representing a gross margin of 22.6%, 14.7% and 20.3% for the years ended 31 December 2007, 2008 and 2009. Our logistics services and lubricant oil trading business generated gross profit of RMB 40.0 million, representing a gross margin of 20.0% for the six months ended 30 June 2010. Gross margin decreased in 2008 primarily as a result of our costs incurred for the ramp-up in connection with the expansion of coverage of our logistics services business and the financial losses in our logistics services business as a result of the snow storms in early 2008 and global financial crisis in 2008, which reduced demand for our logistics services.

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

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)	RMB (in thousands)	Gross margin (%)
	<i>(unaudited)</i>									
Dealership business										
Sales of new automobiles										
Premium and ultra premium										
brands.....	59,051	5.3	72,614	5.5	108,722	4.9	27,378	3.1	107,224	6.5
Middle market brand.....	31,818	2.1	30,947	2.3	89,375	4.4	28,019	3.3	40,808	4.0
Total sales of new automobiles....	90,869	3.4	103,561	3.9	198,097	4.6	55,397	3.2	148,032	5.5
After-sales services	72,754	35.4	99,690	37.2	149,265	39.2	63,809	38.3	101,169	41.6
Total dealership business.....	163,623	5.7	203,251	6.9	347,362	7.5	119,206	6.3	249,201	8.5
Logistics services and lubricant										
oil trading.....	11,931	22.6	17,039	14.7	67,179	20.3	33,471	21.6	39,994	20.0
Total gross profit.....	175,554	6.0	220,290	7.2	414,541	8.3	152,677	7.5	289,195	9.2

Other revenue and other net income

Our other revenue includes commission income, which is primarily comprised of commissions and fees received for (i) the brokering of loans, which are generally determined based on a percentage of the principal loan amount we successfully broker, (ii) the brokering of insurance policies, which are generally determined based on a percentage of the insurance premiums and the type of insurance we successfully broker and (iii) registration services in our dealership business in connection with sales of new automobiles. Our other revenue also includes interest income from bank deposits and rental income from investment properties that we own during the Track Record Period. Our other net income includes net gain on disposal of property, plant and equipment, which includes sales of automobiles used as display and test-drive models and net gain on disposal of investment properties that we owned during the Track Record Period. For the years ended 31 December 2007, 2008 and

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2009, our other revenue and other net income amounted to RMB 21.2 million, RMB 21.9 million and RMB 31.1 million in aggregate. For the six months ended 30 June 2010, our other revenue and other net income amounted to RMB 23.2 million in aggregate.

The following table sets forth a breakdown of our other revenue and other net income for the periods indicated.

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
				<i>(unaudited)</i>	
Other revenue					
Commission income	14,029	12,383	17,488	7,434	13,229
Interest income from bank deposits	2,064	3,037	5,137	1,833	3,873
Rental income	1,489	1,819	1,186	655	431
Others	114	221	131	71	656
Total other revenue	<u>17,696</u>	<u>17,460</u>	<u>23,942</u>	<u>9,993</u>	<u>18,189</u>
Other net income					
Net gain on disposal of other property, plant and equipment	542	3,656	6,411	2,322	4,498
Net gain on disposal of investment properties	2,385	—	—	—	—
Others	595	810	771	338	498
Total other net income	<u>3,522</u>	<u>4,466</u>	<u>7,182</u>	<u>2,660</u>	<u>4,996</u>
Other revenue and net income	<u>21,218</u>	<u>21,926</u>	<u>31,124</u>	<u>12,653</u>	<u>23,185</u>

Selling and distribution expenses

Our selling and distribution expenses include (i) staff cost, which consists of salary and wage expenses and social insurance and welfare cost of our sales personnel, (ii) marketing and advertising expenses and (iii) depreciation and amortisation. For the years ended 31 December 2007, 2008 and 2009, our selling and distribution expenses were RMB 69.9 million, RMB 84.5 million and RMB 138.3 million respectively. For the six months ended 30 June 2010, our selling and distribution expenses were RMB 69.2 million. The increase in selling and distribution expenses during the Track Record Period was primarily due to (i) an increase in salary and wage expenses of our sales personnel, as a result of the increase in the number of our sales personnel in connection with the opening of new dealership stores in 2008 and 2009 and an increase in bonuses paid to our sales personnel in connection with increased sales of new automobiles, (ii) depreciation and amortisation due to increased total value of our fixed assets as a result of the opening of new dealership stores, and (iii) our increased expenditures on sales and marketing expenses, which was primarily due to increased advertising and marketing activities. In addition, selling and distribution expenses increased in the year ended 31 December 2008 as compared to the year ended 31 December 2009 as we ramped up our lubricant oil trading business.

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The following table sets forth a breakdown of our sales and distribution expenses for the periods indicated.

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB	RMB	RMB	RMB	RMB
	(in	(in	(in	(in	(in
	thousands)	thousands)	thousands)	thousands)	thousands)
	<i>(unaudited)</i>				
Selling and distribution expenses					
Staff cost	25,118	33,469	47,126	20,831	32,177
Marketing and advertising expenses	15,152	19,722	46,528	19,839	14,779
Depreciation and amortisation	10,934	11,986	13,525	6,473	6,733
Other expenses	<u>18,646</u>	<u>19,363</u>	<u>31,158</u>	<u>13,186</u>	<u>15,488</u>
Total	<u>69,850</u>	<u>84,540</u>	<u>138,337</u>	<u>60,329</u>	<u>69,177</u>

Administrative expenses

Our administrative expenses include (i) staff cost, which consists of salary and wages expenses and welfare costs of our administrative personnel, (ii) depreciation and amortisation and (iii) rental expenses in connection with the expansion at our automobile dealership business. For the years ended 31 December 2007, 2008 and 2009, our administrative expenses were RMB 51.2 million, RMB 70.7 million and RMB 82.3 million respectively. For the six months ended 30 June 2010, our administrative expenses were RMB 57.4 million. The increase in administrative expenses during the Track Record Period was primarily due to increases in salary and wage expenses of our administrative personnel primarily due to the expansion of our business and increases in depreciation and amortisation in connection with the opening of new dealership stores.

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

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB	RMB	RMB	RMB	RMB
	(in	(in	(in	(in	(in
	thousands)	thousands)	thousands)	thousands)	thousands)
	<i>(unaudited)</i>				
Administrative expenses					
Staff cost	8,915	10,410	15,494	6,131	12,217
Depreciation and amortisation	12,575	16,076	21,592	11,896	13,087
Rental expenses	5,722	5,849	6,825	3,309	3,974
Other expenses	<u>24,030</u>	<u>38,367</u>	<u>38,423</u>	<u>22,079</u>	<u>28,156</u>
Total	<u>51,242</u>	<u>70,702</u>	<u>82,334</u>	<u>43,415</u>	<u>57,434</u>

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Finance costs

Our finance costs primarily include interest on loans and borrowings wholly repayable within five years as well as other financial costs, which mainly represent interest expenses arising from discount of bills. For the years ended 31 December 2007, 2008 and 2009, our finance costs were RMB 23.4 million, RMB 38.5 million and RMB 31.5 million respectively. For the six months ended 30 June 2010, our finance costs were RMB 22.0 million. The change in finance costs during the Track Record Period was primarily due to changes in market interest rates. Our business requires sufficient financing for our increasing inventory level and prepayments for new automobiles that we purchase from automobile manufacturers. We expect the finance costs of the Group to increase as our inventory level and prepayments for new automobiles increase due to the expansion of our dealership network.

Share of profit of an associate or a jointly-controlled entity

An associate is an entity in which we have significant influence, but do not have control or joint control, over its management, including participation in the financial and operating policy decisions. On 6 June 2009, we acquired 20% of the equity interest in Guangzhou Fengshen, a provider of automobile logistics services, from an Independent Third Party for consideration of RMB 34.1 million. As a result, Guangzhou Fengshen became an associate of the Group. On 29 June 2010, we acquired an additional 30% of the equity interest in Guangzhou Fengshen from another Independent Third Party and thereafter, we have considered Guangzhou Fengshen to be a jointly-controlled entity.

Tax

Under the current laws of the Cayman Islands and the British Virgin Islands, we are not subject to income tax or capital gains tax in the Cayman Islands and the British Virgin Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Track Record Period.

Before 1 January 2008, enterprises incorporated in the PRC were normally subject to corporate income tax at a rate of 33%, of which 30% is attributable to national enterprise income tax and 3% attributable to local income tax.

The National People’s Congress approved the EIT Law on 16 March 2007 and the State Council has announced the detailed implementation regulations to the EIT Law on 6 December 2007, both of which have been effective since 1 January 2008. According to the EIT Law, the income tax rates for both domestic and foreign investment enterprises in the PRC were unified at 25% effective from 1 January 2008.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 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. See the section headed “Risk Factors — Risks Relating to Our Business and Industry — There are significant uncertainties under the EIT Law relating to our PRC enterprise income tax liabilities” in this document.

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In addition, since 17 November 2010, as a result of the effectiveness of our Contractual Arrangements, the profit before tax generated by our automobile dealership business, which we operate through our PRC Operating Entities, has been subject to a business tax and other related levies at an aggregate rate of approximately 5.6%. This business tax, as with other business taxes incurred by our Company, will be deducted from our gross turnover prior to the determination of our profit before taxation for enterprise income tax purposes.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our combined results of operations. Each item has also been expressed as a percentage of our turnover. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended 31 December						Six Months Ended 30 June			
	2007		2008		2009		2009		2010	
	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover	RMB (in thousands)	% of turnover
<i>(unaudited)</i>										
Combined statements of comprehensive income										
Turnover.....	2,909,186	100.0	3,045,591	100.0	4,981,174	100.0	2,045,021	100.0	3,127,922	100.0
Cost of sales.....	(2,733,632)	(94.0)	(2,825,301)	(92.8)	(4,566,633)	(91.7)	(1,892,344)	(92.5)	(2,838,727)	(90.8)
Gross profit.....	175,554	6.0	220,290	7.2	414,541	8.3	152,677	7.5	289,195	9.2
Other revenue.....	17,696	0.6	17,460	0.6	23,942	0.5	9,993	0.5	18,189	0.6
Other net income.....	3,522	0.1	4,466	0.1	7,182	0.1	2,660	0.1	4,996	0.1
Selling and distribution expenses.....	(69,850)	(2.4)	(84,540)	(2.7)	(138,337)	(2.8)	(60,329)	(3.0)	(69,177)	(2.2)
Administrative expenses.....	(51,242)	(1.7)	(70,702)	(2.3)	(82,334)	(1.6)	(43,415)	(2.1)	(57,434)	(1.8)
Profit from operations.....	75,680	2.6	86,974	2.9	224,994	4.5	61,586	3.0	185,769	5.9
Finance costs.....	(23,356)	(0.8)	(38,546)	(1.3)	(31,465)	(0.6)	(16,320)	(0.8)	(21,953)	(0.7)
Share of profit of an associate or a jointly controlled entity.....	—	—	—	—	4,570	0.1	408	0.02	3,657	0.1
Gain on remeasurement of previously held equity interest in a jointly controlled entity.....	—	—	—	—	—	—	—	—	3,177	0.1
Gain on bargain purchase.....	—	—	—	—	—	—	—	—	27,266	0.9
Profit before taxation.....	52,324	1.8	48,428	1.6	198,099	4.0	45,674	2.2	197,916	6.3
Income tax.....	(20,654)	(0.7)	(12,950)	(0.4)	(48,277)	(1.0)	(11,072)	(0.5)	(39,537)	(1.2)
Profit attributable to										
Equity holders of the										
Company.....	31,670	1.1	33,805	1.1	145,854	2.9	32,048	1.6	153,101	4.9
Non-controlling interests.....	—	—	1,673	0.1	3,968	0.1	2,554	0.1	5,278	0.2
Profit for the year/period.....	31,670	1.1	35,478	1.2	149,822	3.0	34,602	1.7	158,379	5.1
Earnings per share										
Basic and diluted										
(RMB cent).....	2.1		2.3		9.7		2.1		10.2	

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Six months ended 30 June 2010 compared to six months ended 30 June 2009

Turnover. Our turnover increased by 53.0% from RMB 2,045.0 million for the six months ended 30 June 2009 to RMB 3,127.9 million for the six months ended 30 June 2010, primarily due to an increase in sales of new automobiles by 55.8% from RMB 1,723.1 million for the six months ended 30 June 2009 to RMB 2,684.6 million for the six months ended 30 June 2010.

Turnover increased by 90.2% from sales of premium and ultra premium branded automobiles from RMB 871.0 million for the six months ended 30 June 2009 to RMB 1,656.3 million for the six months ended 30 June 2010. We attribute this increase primarily to the growth of the PRC premium and ultra premium brands market in general, the continued expansion of our dealership operations, particularly our sales from two new premium brands dealership stores in Baotou and Beijing that commenced operations in February and June 2010 respectively and one ultra premium brand automobile dealership store in Dongguan that commenced operation in May 2010, as well as the continued ramp-up of two premium brands dealership stores in Nanchang and Zhuhai that commenced operations in October 2008 and March 2009 respectively. The three new dealership stores in Baotou, Beijing and Dongguan generated RMB 213.1 million in sales for the six months ended 30 June 2010. The dealership stores in Nanchang and Zhuhai generated RMB 230.7 million in sales for the six months ended 30 June 2010, compared to RMB 67.6 million for the six months ended 30 June 2009. The increase in turnover from sales of new premium and ultra premium branded automobiles was also attributable to the increased sales volumes as well as average sale prices of our premium and ultra premium branded automobiles as we adjusted our sales strategies to market and sell higher priced premium and ultra premium branded automobiles models that were introduced by automobile manufacturers. Turnover from sales of middle market automobiles increased by 20.7% from RMB 852.1 million for the six months ended 30 June 2009 to RMB 1,028.4 million for the six months ended 30 June 2010, primarily due to the growth of the PRC automobile market overall and the continued expansion of our dealership operations, particularly our sales from one new middle market brand dealership store in Inner Mongolia that commenced operations in March 2010. The dealership store in Inner Mongolia generated RMB 29.0 million in sales for the six months ended 30 June 2010. Turnover from sales of new automobiles also increased as a result of the growth of the PRC automobile market overall. According to ACMR, sales values of automobiles increased by 49.6% from the six months ended 30 June 2009 to the six months ended 30 June 2010.

In addition, turnover from provision of after-sales services increased by 45.7% from RMB 166.7 million for the six months ended 30 June 2009 to RMB 242.9 million for the six months ended 30 June 2010, which was primarily attributable to our expanded customer base and our adjustments in sales strategies for automobile accessories to offer expanded selection and higher priced products. Turnover from provision of logistics services and sales of lubricant oil increased by 29.1% from RMB 155.2 million to RMB 200.4 million, which was primarily due to the increase in demand from our customers as a result of their increased sales of automobiles.

Cost of sales. Our cost of sales increased by 50.0% from RMB 1,892.3 million for the six months ended 30 June 2009 to RMB 2,838.7 million for the six months ended 30 June 2010. This increase was due primarily to the increase in cost of sales for new automobiles, which increased by 52.1% from RMB 1,667.7 million to RMB 2,536.6 million for the same period as our sales of new automobiles increased.

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Cost of sales increased by 83.6% from RMB 843.7 million for the six months ended 30 June 2009 to RMB 1,549.0 million for the six months ended 30 June 2010 for premium branded automobiles and increased by 19.8% from RMB 824.1 million to RMB 987.6 million for middle market branded automobiles in the same period. The increase in cost of sales of new automobiles was generally in line with the increased turnover from sales of new automobiles. The increase in our cost of sales was also due in part to an increase in cost of sales of after-sales services, which increased by 37.7% from RMB 102.9 million to RMB 141.7 million during the same period, and was generally in line with the increased turnover from after-sales services. In addition, our cost of sales of our logistics services and lubricant oil trading business increased by 31.8% from RMB 121.7 million to RMB 160.4 million during the same period, which was generally in line with the increased turnover from our logistics services and lubricant oil trading business.

Gross profit. Our gross profit increased by 89.4% from RMB 152.7 million for the six months ended 30 June 2009 to RMB 289.2 million for the six months ended 30 June 2010.

Gross profit from our dealership business increased from RMB 55.4 million for the six months ended 30 June 2009 to RMB 148.0 million for the six months ended 30 June 2010, primarily due to an increase in gross profit from sales of new automobiles. Gross profit from sales of premium and ultra premium branded automobiles increased from RMB 27.4 million to RMB 107.2 million for the same period and gross profit from sales of middle market branded automobiles increased from RMB 28.0 million to RMB 40.8 million for the same period. In addition, gross profit from after-sales services increased from RMB 63.8 million to RMB 101.2 million in the same period.

Gross profit from our logistics services and lubricant oil trading business increased from RMB 33.5 million to RMB 40.0 million in the same period.

Our gross margin increased from 7.5% for the six months ended 30 June 2009 to 9.2% for the six months ended 30 June 2010. This increase was primarily due to the increased proportion of our sales of premium and ultra premium branded automobiles, which generally have higher gross margin than sales of middle market branded automobiles, as well as increased sales of higher priced premium branded automobiles models and accessories which had higher margins as a result of our adjustments in sales strategies.

Other revenue and other net income. Our other revenue and other net income increased by 82.7% from RMB 12.7 million for the six months ended 30 June 2009 to RMB 23.2 million for the six months ended 30 June 2010, primarily due to the increase in our commission income received from financial institutions and insurance companies as we originated more loans and insurance policies in connection with our increased sales of new automobiles. In addition, interest income from bank deposits also increased as the balance of our pledged bank deposits increased.

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Selling and distribution expenses. Our selling and distribution expenses increased by 14.8% from RMB 60.3 million for the six months ended 30 June 2009 to RMB 69.2 million for the six months ended 30 June 2010. This increase was primarily due to the opening of four new dealership stores in 2010, which resulted in increased salary and wage expenses and staff welfare costs as we employed additional sales personnel and increased rental and general costs associated with our dealership stores.

Administrative expenses. Our administrative expenses increased by 32.3% from RMB 43.4 million for the six months ended 30 June 2009 to RMB 57.4 million for the six months ended 30 June 2010. This increase was primarily due to the opening of four new dealership stores in 2010, which resulted in increased salary and wage expenses and staff welfare costs as we employed additional personnel and increased office costs. In addition, our administrative expenses increased as a result of increased bank charges in connection with purchases by credit card as our turnover increased.

Profit from operations. As a result of the foregoing, our profit from operations increased by 201.6% from RMB 61.6 million for the six months ended 30 June 2009 to RMB 185.8 million for the six months ended 30 June 2010.

Finance costs. Our finance costs increased by 35.0% from RMB 16.3 million for the six months ended 30 June 2009 to RMB 22.0 million for the six months ended 30 June 2010, primarily due to an increase in discount interest as a result of the increased bills payable that we utilized in connection with our purchases of new automobiles.

Income tax expenses. Our income tax expenses increased by 255.9% from RMB 11.1 million for the six months ended 30 June 2009 to RMB 39.5 million for the six months ended 30 June 2010, primarily as a result of the increase in our profit. Our effective tax rate was 24.2% for the six months ended 30 June 2009 as compared to 20.0% for the six months ended 30 June 2010.

Profit for the year. As a result of the cumulative effect of the above factors, our profit of the year increased by 357.8% from RMB 34.6 million for the six months ended 30 June 2009 to RMB 158.4 million for the six months ended 30 June 2010.

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover. Our turnover increased by 63.6% from RMB 3,045.6 million for the year ended 31 December 2008 to RMB 4,981.2 million for the year ended 31 December 2009, primarily due to an increase in sales of new automobiles by 60.4% from RMB 2,661.8 million for the year ended 31 December 2008 to RMB 4,270.5 million for the year ended 31 December 2009. Turnover increased by 68.7% from sales of premium branded automobiles from RMB 1,328.3 million for the year ended 31 December 2008 to RMB 2,240.2 million for the year ended 31 December 2009. We attribute the increase in turnover to the growth of the PRC premium brands automobile market overall, the continued optimization of our dealership operations, particularly our sales and marketing, and the ramp-up of one premium brands dealership store that commenced operations in October 2008 and one premium brands dealership store that commenced operations in March 2009. According to ACMR, sales values of premium branded automobiles increased by 28% from the year ended 31 December 2008 to the year ended 31 December 2009. These two new dealership stores generated RMB 278.1

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million in sales for the year ended 31 December 2009, compared to RMB 4.1 million the year ended 31 December 2008. The increase in turnover was primarily attributable to increased sales volumes as average selling prices of our premium branded automobiles remained flat. Turnover from sales of middle market branded automobiles increased by 52.2% RMB 1,333.5 million for the year ended 31 December 2008 to RMB 2,030.2 million for the year ended 31 December 2009. We attribute this increase primarily to the growth of the PRC middle market brands automobile market overall as a result of the recovery from global financial crisis and tax incentives for purchases of certain models of middle market branded automobiles. According to ACMR, sales values of middle market branded automobiles increased by 35% from the year ended 31 December 2008 to the year ended 31 December 2009. In addition, the average selling prices of our middle market branded automobiles increased, which we attribute primarily to increased sales of higher priced middle market automobiles models that were introduced by automobile manufacturers. In addition, turnover from provision of after-sales services increased by 42.0% from RMB 267.8 million to RMB 380.4 million, which was attributable to our expanded customer base. Turnover from provision of logistics services and sales of lubricant oil increased by 184.7% from RMB 116.0 million to RMB 330.3 million, which was primarily due to the ramp-up of our lubricant oil trading business, which commenced operations in September 2008.

Cost of sales. Our cost of sales increased by 61.6% from RMB 2,825.3 million for the year ended 31 December 2008 to RMB 4,566.6 million for the year ended 31 December 2009. This increase was due primarily to the increase in cost of sales for new automobiles, which increased by 59.2% from RMB 2,558.3 million to RMB 4,072.4 million for the same period as we increased sales of new automobiles. Cost of sales for premium branded automobiles increased by 69.7% from RMB 1,255.7 million for the year ended 31 December 2008 to RMB 2,131.5 million for the year ended 31 December 2009 and increased by 49.0% from RMB 1,302.6 million to RMB 1,940.8 million for middle market branded automobiles for the same period. The increase in cost of sales of new automobiles was generally in line with our increased turnover from sales of new automobiles. The increase in our cost of sales was also due in part to an increase in cost of sales of after-sales services, which increased by 37.5% from RMB 168.1 million to RMB 231.2 million during the period as our turnover increased from after-sales services, and an increase in our cost of sales of our logistics services and lubricant oil trading business by 166.0% from RMB 98.9 million to RMB 263.1 million during the period as we ramped-up our lubricant oil trading business, which commenced operations in September 2008.

Gross profit. Our gross profit increased by 88.2% from RMB 220.3 million for the year ended 31 December 2008 to RMB 414.5 million for the year ended 31 December 2009. Gross profit from our dealership business increased from RMB 203.3 million for the year ended 31 December 2008 to RMB 347.4 million for the year ended 31 December 2009, due primarily to an increase in gross profit from sales of premium branded automobiles from RMB 72.6 million to RMB 108.7 million for the same period and an increase in gross profit from sales of middle market branded automobiles from RMB 30.9 million to RMB 89.4 million for the same period. In addition, gross profit from after-sales services increased from RMB 99.7 million to RMB 149.3 million in the same period. For the year ended 31 December 2009, we recorded incentive rebates of approximately RMB 242.6 million representing an effective incentive rebate rate of 5.7% of our turnover from sales of new automobiles, compared with incentive rebates of approximately RMB 145.6 million, representing an effective incentive rebate rate of 5.5% of our turnover from sales of new automobiles, for the year ended 31 December 2008. Gross profit from our logistics services and lubricant oil trading business increased from RMB 17.0 million to RMB 67.2 million in the same period.

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Our gross margin increased from 7.2% for the year ended 31 December 2008 to 8.3% for the year ended 31 December 2009. This increase in gross margin was primarily due to the increased proportion of our sales of premium branded automobiles which generally have higher gross margins than those of sales of middle market branded automobiles, and increased incentive rebates offered by automobile manufacturers of RMB 242.6 million in the year ended 31 December 2009 from RMB 145.6 million in the year ended 31 December 2008. In addition, gross margin also increased as a result of an increase in the share of turnover generated from our lubricant oil trading business, as we further ramped up our lubricant oil trading business, which commenced operations in September 2008.

Other revenue and other net income. Our other revenue and other net income increased by 42.0% from RMB 21.9 million for the year ended 31 December 2008 to RMB 31.1 million for the year ended 31 December 2009, primarily due to the increase of our commission income received from financial institutions and insurance companies as we originated more loans and insurance policies in connection with our increased sales of new automobiles. In addition, interest income from bank deposits also increased as the balance of our pledged bank deposits increased.

Selling and distribution expenses. Our selling and distribution expenses increased by 63.7% from RMB 84.5 million for the year ended 31 December 2008 to RMB 138.3 million for the year ended 31 December 2009. This increase was primarily due to our increased expenditures on marketing activities, increased salary and wage expenses as we employed additional personnel and higher depreciation costs due to the opening of one new dealership store in 2009.

Administrative expenses. Our administrative expenses increased by 16.4% from RMB 70.7 million for the year ended 31 December 2008 to RMB 82.3 million for the year ended 31 December 2009. This increase was primarily due to increased salary and wage expenses and higher depreciation expenses in connection with the opening of one new dealership stores in 2009 and increased bank charges as customers increased the amount purchased by credit card.

Profit from operations. As a result of the foregoing, our profit from operations increased by 158.6% from RMB 87.0 million for the year ended 31 December 2008 to RMB 225.0 million for the year ended 31 December 2009.

Finance costs. Our finance costs decreased by 18.2% from RMB 38.5 million for the year ended 2008 to RMB 31.5 million for the year ended 31 December 2009, primarily due to a decrease in market interest rates in 2009. Our unsecured bank loans carried annual interest rates ranging from 5.31% to 6.37% for the year ended 31 December 2009 compared to 5.58% to 8.22% for the year ended 31 December 2008. Our secured bank loans carried annual interest rates ranging from 5.31% to 5.84% for the year ended 31 December 2009 compared to 4.80% to 7.47% for the year ended 31 December 2008. Our borrowings from other financial institutions carried annual interest rates ranging from 5.35% to 6.37% for the year ended 31 December 2009 compared to 5.35% to 8.64% for the year ended 31 December 2008.

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Income tax expenses. Our income tax expenses increased by 271.5% from RMB 13.0 million for the year ended 31 December 2008 to RMB 48.3 million for the year ended 31 December 2009, primarily as a result of the increase in our profit. Our effective tax rate decreased from 26.7% for the year ended 31 December 2008 to 24.4% for the year ended 31 December 2009 as our subsidiary, Wuhan Jietong, was exempted from income tax for 2007 and 2008 and was subject to income tax at a rate of 12.5% in 2009, and we incurred fewer non-deductible expenses in 2009.

Profit for the year. As a result of the cumulative effect of the above factors, our profit of the year increased by 322.0% from RMB 35.5 million for the year ended 31 December 2008 to RMB 149.8 million for the year ended 31 December 2009.

Year ended 31 December 2008 compared to year ended 31 December 2007

Turnover. Our turnover increased by 4.7% from RMB 2,909.2 million for the year ended 31 December 2007 to RMB 3,045.6 million for the year ended 31 December 2008. Turnover from sales of new automobiles increased slightly by 0.4% from RMB 2,650.6 million for the year ended 31 December 2007 to RMB 2,661.8 million for the year ended 31 December 2008. This was attributable to the increase in sales of premium branded automobiles from RMB 1,109.2 million to RMB 1,328.3 million for the period, as we opened one premium brands dealership store in 2008, with such increase offset by a decrease in our sales of middle market automobiles from RMB 1,541.4 million to RMB 1,333.5 million which is primarily due to the decrease in sales of middle market automobiles as we discontinued sales of trucks and Peugeot branded automobiles in 2008. Turnover from provision of after-sales services increased from RMB 205.8 million for the year ended 31 December 2007 to RMB 267.8 million for the year ended 31 December 2008, as a result of our expanding customer base. Turnover from provision of logistics services and sales of lubricant oil together increased from RMB 52.8 million for the year ended 31 December 2007 to RMB 116.0 million for the year ended 31 December 2008. This was attributable primarily to the continued growth of our logistics services business and the commencement of operations of our lubricant oil trading business in 2008.

Cost of sales. Our cost of sales increased by 3.4% from RMB 2,733.6 million for the year ended 31 December 2007 to RMB 2,825.3 million for the year ended 31 December 2008. The increase was primarily due to an increase in cost of sales in our logistics services and lubricant oil trading businesses, from RMB 40.9 million for the year ended 31 December 2007 to RMB 98.9 million for the year ended 31 December 2008 as a result of the continued growth of our logistics services business and the commencement of operations of our lubricant oil trading business. Cost of sales for new automobiles decreased slightly from RMB 2,559.8 million for the year ended 31 December 2007 to RMB 2,558.3 million for the year ended 31 December 2008, as the increase in cost of sales for premium branded automobiles was offset by the decrease in cost of sales for middle market automobiles.

Gross profit. Our gross profit increased by 25.5% from RMB 175.6 million for the year ended 31 December 2007 to RMB 220.3 million for the year ended 31 December 2008. Gross profit from our dealership business increased from RMB 163.6 million for the year ended 31 December 2007 to RMB 203.3 million for the year ended 31 December 2008. Gross profit from sales of premium branded automobiles increased from RMB 59.1 million to RMB 72.6 million in the same period, while gross

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profit from sales of middle market branded automobiles decreased slightly from RMB 31.8 million to RMB 30.9 million for the same period primarily due to decreased sales of middle market branded automobiles as we discontinued sales of trucks and Peugeot branded automobiles in 2008. Gross profit from after-sales services increased from RMB 72.8 million to RMB 99.7 million for the same period primarily due to our expanded customer base. For the year ended 31 December 2008, we recorded incentive rebates of approximately RMB 145.6 million representing an effective incentive rebate rate of 5.5% of our turnover from sales of new automobiles, compared with incentive rebates of approximately RMB 107.6 million, representing an effective incentive rebate rate of 4.1% of our turnover from sales of new automobiles for the year ended 31 December 2007. In addition, gross profit from our logistics services and lubricant oil trading businesses increased from RMB 11.9 million to RMB 17.0 million as a result of the continued growth of our logistics services business.

Our gross margin increased from 6.0% for the year ended 31 December 2007 to 7.2% in the year ended 31 December 2008, as sales of our premium branded automobiles and after-sales services accounted for a greater portion of our turnover resulting in an increase in the gross margin of our dealership business. In addition, we generated a greater proportion of our turnover from our logistics services and lubricant oil trading businesses, which has gross margins higher than our dealership business.

Other revenue and other net income. Our other revenue and other net income increased slightly by 3.3% from RMB 21.2 million for the year ended 31 December 2007 to RMB 21.9 million for the year ended 31 December 2008. The increase in other revenue and other net income was primarily due to the sale of automobiles used as display and test-drive models, largely offset by a decrease in origination of loans and insurance policies in our dealership business in connection with sales of new automobiles. The decrease in origination of loans and insurance policies was primarily due to tightened credit policies on automobile loans during the global financial crisis as well as decreased sales of middle market branded automobiles.

Selling and distribution expenses. Our selling and distribution expenses increased by 20.9% from RMB 69.9 million for the year ended 31 December 2007 to RMB 84.5 million for the year ended 31 December 2008. This increase was primarily due to the opening of one new dealership store in 2008, which increased salary and welfare expenses sales, marketing expenses and depreciation.

Administrative expenses. Our administrative expenses increased by 38.1% from RMB 51.2 million for the year ended 31 December 2007 to RMB 70.7 million for the year ended 31 December 2008. This increase was primarily the result of our opening of one new dealership store in 2008 and the establishment of our lubricant oil trading business, which increased purchases of office equipment, additional premises rented, office operation costs and depreciation expenses.

Profit from operations. As a result of the foregoing, our profit from operations increased by 14.9% from RMB 75.7 million for the year ended 31 December 2007 to RMB 87.0 million for the year ended 31 December 2008.

Finance costs. Our finance costs increased by 64.5% from RMB 23.4 million for the year ended 31 December 2007 to RMB 38.5 million for the year ended 31 December 2008. This increase was primarily due to an increase in discount interest due to increased bills payable as we utilized extended credit terms offered for our bills payable and strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2009 and an increase in market interest rates.

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Income tax expenses. Our income tax expenses decreased by 37.2% from RMB 20.7 million for the year ended 31 December 2007 to RMB 13.0 million for the year ended 31 December 2008. Our effective income tax rate decreased from 39.5% for the year ended 31 December 2007 to 26.7% for the year ended 31 December 2008. Decreased tax expense and effective income tax rate in 2008 was mainly due to a decrease of the PRC’s statutory income tax rate from 33% to 25% and a decrease in non-deductible expenses including business entertainment expenses, social welfare contributions and certain expenditures related to employee salaries and benefits as a result of the effectiveness of the EIT Law as of 1 January 2008.

Profit for the year. As a result of the cumulative effect of the above factors, our profit of the year increased by 12.0% from RMB 31.7 million for the year ended 31 December 2007 to RMB 35.5 million for the year ended 31 December 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay our loans, borrowings and other indebtedness, to fund our working capital and normal recurring expenses and to establish new dealership stores or acquire dealership stores or other businesses. We finance our liquidity requirements through a combination of cash flows generated from our operating activities, bank loans and other financings.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of the proceeds from the [●], loans and borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time.

The following table presents selected cash flow data from our combined cash flow statements for the periods indicated:

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
				<i>(unaudited)</i>	
Net cash generated from/ (used in) operating activities ..	56,500	(24,234)	273,194	108,440	(152,443)
Net cash used in investing activities.....	(72,128)	(41,072)	(149,445)	(61,605)	(35,067)
Net cash generated from/ (used in) financing activities ..	31,373	68,453	(1,708)	5,028	130,916
Net increase/(decrease) in cash and cash equivalents.....	15,745	3,147	122,041	51,863	(56,594)
Cash and cash equivalents at end of the period	49,789	54,795	176,898	106,676	120,647

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Cash flow generated from/(used in) operating activities

For the six months ended 30 June 2010, our net cash used in operating activities was RMB 152.4 million, which we attribute primarily to purchases of new automobiles in connection with the expansion of our dealership business by five dealership stores in the six months ended 30 June 2010 together with strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2010. As a result, we had an increase in inventories of RMB 420.3 million and an increase in pledged bank deposits of RMB 75.5 million, which increased correspondingly with increased bills payable. Our cash used in operating activities was partially offset by profit before taxation of RMB 197.9 million, an increase in trade and other payables of RMB 139.6 million which was primarily due to the increased prepayments for purchases of automobiles and a decrease in trade and other receivables of RMB 71.5 million, which was primarily due to the decreased payment duration by our customers in our logistics services and lubricant oil trading business.

For the year ended 31 December 2009, our net cash generated from operating activities was RMB 273.2 million, consisting primarily of an increase in trade and other payables of RMB 848.7 million, which was primarily due to increased bills payable and receipts in advance as we expanded our business and increased purchases of new automobiles, and profit before taxation of RMB 198.1 million, and partially offset by an increase in pledged bank deposits of RMB 660.0 million, which increased correspondingly with increased bills payable, and an increase in trade and other receivables of RMB 174.1 million, which was primarily due to increased prepayments for purchase of automobiles as we expanded our business.

For the year ended 31 December 2008, our net cash used in operating activities was RMB 24.2 million, which we attribute primarily to strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2009. As a result, we had an increase in trade and other receivables of RMB 127.5 million, which was primarily due to our increased prepayments, an increase in inventories of RMB 72.5 million and an increase in pledged bank deposits of RMB 46.4 million. In addition, we had commenced our lubricant oil trading business in 2008, which also contributed to the increase in trade and bills receivables. Our cash used in operating activities was primarily offset by an increase in trade and other payables of RMB 118.4 million, which was primarily due to increased bills payable and receipts in advance as we expanded our business and increased prepayments in connection with strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2009, and profit before taxation of RMB 48.4 million.

For the year ended 31 December 2007, our net cash generated from operating activities was RMB 56.5 million, consisting primarily of profit before taxation of RMB 52.3 million, a decrease in pledged bank deposits of RMB 50.4 million and a decrease in inventories of RMB 8.9 million, partially offset by a decrease in trade and other payables of RMB 54.6 million and income tax paid of RMB 10.5 million.

Cash flow used in investing activities

For the six months ended 30 June 2010, our net cash used in investing activities was RMB 35.1 million, consisting primarily of payment for purchase of fixed assets of RMB 68.5 million and, partially offset by repayment of advances to related parties of RMB 19.4 million and proceeds from disposal of other property, plant and equipment of RMB 10.4 million in connection with sales of automobiles used as display and test-drive models.

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For the year ended 31 December 2009, our net cash used in investing activities was RMB 149.4 million, consisting primarily of payment for purchase of fixed assets of RMB 96.0 million in connection with expansion of our dealership network, advances to related parties of RMB 52.7 million, and payment of RMB 34.1 million in connection with our acquisition of equity interests of Guangzhou Fengshen, partially offset by repayment of advances to related parties of RMB 26.7 million and proceeds from disposal of other property, plant and equipment of RMB 25.9 million in connection with sales of automobiles used as display and test-drive models.

For the year ended 31 December 2008, our net cash used in investing activities was RMB 41.1 million, consisting primarily of payment for purchase of fixed assets of RMB 36.0 million relating to the opening of one new dealership store in 2008 and advances to related parties of RMB 33.4 million, partially offset by proceeds from disposal of other property, plant and equipment of RMB 15.2 million in connection with sales of automobiles used as display and test-drive models and repayment of advances to related parties of RMB 10.0 million.

For the year ended 31 December 2007, our net cash used in investing activities was RMB 72.1 million, consisting primarily of payment for purchase of fixed assets of RMB 70.8 million and advances to related parties of RMB 24.8 million, partially offset by repayment of advances to related parties of RMB 8.8 million, proceeds from disposal of other property, plant and equipment of RMB 7.5 million in connection with sales of automobiles used as display and test-drive models and proceeds from disposal of an investment property owned by the Group of RMB 5.1 million.

Cash flow generated from or used in financing activities

For the six months ended 30 June 2010, our net cash generated from financing activities was RMB 130.9 million, consisting primarily of proceeds from loans and borrowings of RMB 720.0 million and advances from related parties of RMB 52.3 million, partially offset by repayment of loans and borrowings of RMB 603.2 million, interest paid of RMB 22.0 million and repayment of advances from related parties of RMB 11.1 million.

For the year ended 31 December 2009, our net cash used in financing activities was RMB 1.7 million, consisting primarily of repayment of loans and borrowings of RMB 1,457.5 million, repayment of advances from related parties of RMB 14.2 million and interest paid of RMB 31.5 million, partially offset by proceeds from loans and other borrowings of RMB 1,468.4 million, capital injection from an equity holder of the Company of RMB 17.5 million and advances from related parties of RMB 13.1 million.

For the year ended 31 December 2008, our net cash generated from financing activities was RMB 68.5 million, consisting primarily of proceeds from loans and other borrowings of RMB 829.7 million and advances from related parties of RMB 205.0 million, partially offset by repayment of loans and borrowings of RMB 890.1 million and interest expenses paid of RMB 38.5 million.

For the year ended 31 December 2007, our net cash generated from financing activities was RMB 31.4 million, consisting primarily of proceeds from loans and borrowings of RMB 767.0 million, partially offset by repayment of loans and borrowings of RMB 588.5 million and repayment of advances from related parties of RMB 106.1 million.

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Net current assets and liabilities

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated below:

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	RMB	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
	<i>(unaudited)</i>				
Current Assets					
Inventories.....	237,375	309,825	295,312	764,703	909,928
Trade and other receivables	247,950	398,806	598,874	539,621	514,906
Receivables due from third parties..	216,404	373,703	502,152	506,809	514,906
Receivables due from related parties	31,546	25,103	96,722	32,812	—
Pledged bank deposits.....	188,379	234,827	894,853	1,024,241	1,179,414
Cash and cash equivalents	49,789	54,795	176,898	120,647	268,932
Total current assets.....	<u>723,493</u>	<u>998,253</u>	<u>1,965,937</u>	<u>2,449,212</u>	<u>2,873,180</u>
Current Liabilities					
Trade and other payables	687,784	976,485	1,634,000	2,023,992	2,126,800
Payable due to third parties	457,606	587,728	1,418,867	1,802,420	2,015,113
Payable due to related parties.....	230,178	388,757	215,133	221,572	111,687
Loans and borrowings.....	397,977	337,594	348,517	465,273	488,278
Income tax payable.....	17,064	22,569	60,506	35,369	48,657
Total current liabilities	<u>1,102,825</u>	<u>1,336,648</u>	<u>2,043,023</u>	<u>2,524,634</u>	<u>2,663,735</u>
Net current assets/(liabilities).....	<u>(379,332)</u>	<u>(338,395)</u>	<u>(77,086)</u>	<u>(75,422)</u>	<u>209,445</u>

As of 30 September 2010, we had net current assets of RMB 209.4 million, compared to net current liabilities of RMB 75.4 million as of 30 June 2010. This change was primarily due to the increased inventories of RMB 909.9 million and increased cash and cash equivalents of RMB 268.9 million, partially offset by increased trade and other payables in connection with our purchases of new automobiles. In addition, our loans due to the Controlling Shareholder of RMB 83.2 million as of 30 September 2010 were settled in full by capitalization into the Group’s combined equity. Moreover, to settle a portion of the payables due to related parties, we transferred certain properties and land use rights in September 2010 to the Controlling Shareholder for a consideration of RMB 161 million, which was equivalent to their aggregate carrying amount.

As of 30 June 2010, we had net current liabilities of RMB 75.4 million compared to RMB 77.1 million as of 31 December 2009. This change was primarily due to increased pledged bank deposits of RMB 1,024.2 million to secure our bills payable, the increased inventories of RMB 764.7 million and increased trade and other receivables of RMB 539.6 million, partially offset by increased trade and other payables of RMB 2,024.0 million, which was primarily attribute to increased bills payable in connection with our purchases of new automobiles and increased loans and borrowings.

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As of 31 December 2009, we had net current liabilities of RMB 77.1 million, representing a decrease of RMB 261.3 million from our net current liabilities as of 31 December 2008 of RMB 338.4 million. This change was primarily due to increased pledged bank deposits to secure our bills payable and increased trade and other receivables and cash and cash equivalents, partially offset by increased trade and other payables, which was mainly attributable to increased bills payable in connection with our purchases of new automobiles and income tax payable.

As of 31 December 2008, we had net current liabilities of RMB 338.4 million, representing a decrease of RMB 40.9 million from our net current liabilities as of 31 December 2007 of RMB 379.3 million. This change was primarily due to increased trade and other receivables, inventories and pledged bank deposits, partially offset by increased trade and other payables and decreased loans and borrowings.

A portion of our net current liabilities were to related parties to finance our working capital requirements and support our dealership network expansion. The amount due to related parties was unsecured, interest free and has no fixed terms of repayment. We have settled our payables due to related parties with cash collection of receivables due from related parties and capitalized the remaining balance due to related parties into equity of the applicable entities, which will be reflected as contribution from an equity holder of the Company in the combined financial information. Excluding payables due to and receivables due from related parties, we would have had net current liabilities of RMB 180.7 million, and net current assets of RMB 25.3 million and RMB 41.3 million as of 31 December 2007, 2008 and 2009 respectively. Excluding payables due to and receivables due from to related parties, we would have had net current assets of RMB 113.3 million as of 30 June 2010. The net current liabilities as of 31 December 2007 was attributable to our use of short term loans to fund our capital expenditures. During the Track Record Period, we did not experienced any significant difficulties in rolling over our short term loans in the ordinary course of business when they fell due.

We also use short-term bank bills and bank loans to finance our working capital requirements. We have historically repaid our bank bills and repaid or rolled over our bank loans when due. During the Track Record Period, we have not experienced any significant difficulties in rolling over our bank loans and have received confirmation from the relevant banks that such loans would be rolled over in the subsequent year.

As of 30 September 2010, we had unutilized credit facilities in the total amount of RMB 711.9 million as summarized below:

Lender	Amount of Unutilized Credit Facilities	Expiration Date
	(RMB in thousands)	
Bank of China, Wuhan Economic Development Zone Branch	77,000	30 June 2011
China Everbright Bank, Wuhan Branch	258,910	4 May 2011
China Minsheng Bank, Wuhan Branch.	<u>376,000</u>	31 July 2011
Total	<u><u>711,910</u></u>	

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In addition, as of 30 September 2010, we have credit facilities in the total amount RMB 1,900.0 million that are conditioned upon the completion of the [●], as summarized below:

<u>Lender</u>	<u>Amount of Conditional Credit Facilities</u>
	(RMB in thousands)
China Construction Bank Corporation, Hubei Branch	1,000,000
Bank of Communications, Hubei Branch	900,000

We intend to continue to rely on existing financial resources, including banking facilities and other internal resources, the estimated net proceeds of the [●] and cash generated from operations to fund our future business development. See the section headed “Future Plans and Use of Proceeds” in this document. We may also increase our financial resources in line with our future development or for other purposes, when appropriate. Our ability to obtain adequate financing to satisfy our business development or debt service requirements may be limited by our financial condition and the results of business operations, as well as the liquidity of international and domestic financial markets. Any failure to achieve timely extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with trade and bills payables, debt service and/or other liabilities when they become due and payable. See the sections headed “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to obtain adequate financing on acceptable terms” in this document and section headed “Risk Factors — Risks Relating to Our Business and Industry — We recorded net current liabilities as of 31 December 2007, 2008 and 2009 and 30 June 2010 and net cash used in operating activities for the year ended 31 December 2008 and the six months ended 30 June 2010 and we cannot assure you that we will not experience the same again in the future” in this document.

Working capital

We finance our working capital needs primarily through cash flow from operations and bank borrowings. Taking into account our internal resources, our cash flow from operations, presently available bank loans and other borrowings and the estimated net proceeds from the [●], our Directors are satisfied, after due and careful inquiry, that our Group has sufficient available working capital for our Group’s present requirements for at least the next 12 months from the date of publication of this document.

Capital expenditure and investment

Our capital expenditures comprised expenditures on property, plant and equipment and land use rights. For the years ended 31 December 2007, 2008 and 2009 our total capital expenditures were RMB 70.8 million, RMB 36.0 million and RMB 120.5 million respectively. For the six months ended 30 June 2010, our total capital expenditures were RMB 93.5 million.

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The following table sets forth our expenditures on property, plant and equipment and land use rights for the period indicated:

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	RMB	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
				<i>(unaudited)</i>	
Capital expenditure					
Property, plant and equipment ..	70,848	35,964	95,998	32,713	79,037
Land use right.....	—	—	24,495	—	14,458
Total	<u>70,848</u>	<u>35,964</u>	<u>120,493</u>	<u>32,713</u>	<u>93,495</u>

Capital commitments

Our capital commitments are unpaid amounts of executed agreements for the acquisition of property, plant and equipment in connection with our dealership business. As of 31 December 2007, 2008 and 2009, our total capital commitments outstanding were RMB 4.6 million, RMB 3.6 million and RMB 3.4 million respectively. As of 30 June 2010, our total capital commitments outstanding was RMB 3.4 million.

Operating lease commitments

Our operating leases typically run for an initial period of one to 20 years, with an option to renew the leases at such time, subject to renegotiation of the terms of the lease.

The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of each date indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Within one year	4,039	4,834	10,415	24,116
After one year but within five years.....	10,902	13,263	35,733	50,897
After five years.....	17,419	14,834	79,457	89,468
Total.....	<u>32,360</u>	<u>32,931</u>	<u>125,605</u>	<u>164,481</u>

Inventory analysis

During the Track Record Period, our inventories included vehicles, which primarily consisted of new automobiles, including automobiles located at our dealership stores and warehouses as well as automobiles in transit for which title and risk had transferred to us. Our inventories also included automobile spare parts. Generally, each of our dealership stores individually manages the quotas and

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orders for new automobiles, automobile spare parts and other inventory. In addition, we also monitor our inventories with our dealership network and, subject to the consent of automobile manufacturers, may also transfer automobiles from one dealership store to another to rebalance inventory levels. We utilize our information technology systems to manage our inventory.

The following table sets forth a summary of our total inventories as of each date indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Motor vehicles	207,521	275,428	249,482	704,421
Automobile spare parts	27,668	32,093	43,002	56,527
Others	2,186	2,304	2,828	3,755
Total	<u>237,375</u>	<u>309,825</u>	<u>295,312</u>	<u>764,703</u>

Our inventories increased by 159.0% from RMB 295.3 million as of 31 December 2009 to RMB 764.7 million as of 30 June 2010, primarily due to the increase in our inventory of new automobiles and automobile spare parts as a result of the expansion of our dealership business together with strategic purchases of premium branded automobiles in anticipation of strong demand in 2010. We expanded our dealership network by five dealership stores in the six months ended 30 June 2010, four of which were for ultra-premium and premium brands dealership stores. Compared to middle market brands dealership stores, premium and ultra premium brands dealership stores typically maintain a higher level of inventory in dollar amount for the same level of turnover days due to higher prices per automobile unit. As of 30 September 2010, the subsequent utilization of our inventories as of 30 June 2010 was RMB 630.5 million of the balance of RMB 764.7 million as of 30 June 2010.

Our inventories decreased by 4.7% from RMB 309.8 million as of 31 December 2008 to RMB 295.3 million as of 31 December 2009, primarily due to a decrease in our inventory of new automobiles resulting from our strong sales of new automobiles in 2009, particularly premium branded automobiles purchased in 2008 in anticipation of strong demand in 2009, partially offset by an increase in our inventories of automobile spare parts due to the growth of our after-sales services as we expanded our customer base. The higher inventory as of 31 December 2008 was primarily due to our strategic purchases of additional premium branded automobiles in expectation of strong demand and increase in sales after the year end. We had decreased inventories but increased bills payable as of 31 December 2009 compared to 31 December 2008 primarily because the bills payable associated with bank acceptance notes used for purchases of new automobile inventories were not immediately repaid upon sale of the new automobile inventories. The repayment periods of our bank acceptance notes are typically two to three months. For the year ended 31 December 2009, our average trade and bills payables turnover days was 65 days, while our average inventory turnover days was 24 days.

Our inventories increased by 30.5% from RMB 237.4 million as of 31 December 2007 to RMB 309.8 million as of 31 December 2008, primarily due to an increase in our inventory of new automobiles and automobile spare parts, which was primarily due to our strategic purchases of additional premium branded automobiles in expectation of strong demand and increase in sales after the year end.

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Certain of our inventories with carrying amounts of RMB 120.6 million, RMB 164.6 million, RMB 178.5 million and RMB 500.3 million as of 31 December 2007, 2008 and 2009 and 30 June 2010 were pledged as security for bills payable and secured borrowings from other financial institutions.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year Ended 31 December			Six Months Ended 30 June
	2007	2008	2009	2010
Average inventory turnover days ⁽¹⁾	<u>32</u>	<u>35</u>	<u>24</u>	<u>34</u>

Note:

- (1) The average inventory turnover day for a certain period is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by 365 days for a year or by 180 days for a six month period.

Our average inventory turnover days for the six months ended 30 June 2010 increased to 34 days from 24 days for the year ended 31 December 2009, primarily because we increased our inventory level by increasing purchases of new automobiles, especially premium branded automobiles, in response to the strong market demand and also in connection with the opening of new dealership stores. Our average inventory turnover days for the year ended 31 December 2009 decreased to 24 days from 35 days for the year ended 31 December 2008 due to the strong demand and significant increase in sales of new automobiles in the year ended 31 December 2009, particularly in the month of December. Our average inventory turnover days for the year ended 31 December 2008 increased to 35 days from 32 days for the year ended 31 December 2007. The relatively high average inventory turnover days for the year ended 31 December 2008 was primarily due to our strategic purchases of additional premium branded automobiles in expectation of strong demand.

During the Track Record Period, we did not make any provisions for inventory.

Trade and other receivables

Trade and other receivables consist of (i) trade receivables, which are primarily outstanding amounts receivable by us from customers of our logistics services and lubricant oil business as well as outstanding amounts receivable from automobile manufacturers for repair and maintenance services provided by us within the warranty period and bills receivable, which are primarily outstanding amounts receivable by us from customers of our logistics services and lubricant oil business, (ii) receivables due from third parties, which consist of prepayments and other receivables and deposits in connection with purchases of new automobiles from automobile manufacturers and (iii) receivables due from related parties. The Directors confirm that the balance of receivables due from related parties will be settled before the [●].

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The following table sets forth a breakdown of our trade and other receivables as of dates indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Trade receivables	56,859	83,778	69,565	76,839
Bills receivable	183	837	4,318	5,726
Trade and bills receivables.....	<u>57,042</u>	<u>84,615</u>	<u>73,883</u>	<u>82,565</u>
Prepayments	73,329	153,633	251,504	264,262
Other receivables and deposits	86,033	135,455	176,765	159,982
Receivables due from third parties.....	<u>216,404</u>	<u>373,703</u>	<u>502,152</u>	<u>506,809</u>
Receivables due from related parties.....	31,546	25,103	96,722	32,812
Trade and other receivables.....	<u>247,950</u>	<u>398,806</u>	<u>598,874</u>	<u>539,621</u>

Our trade and other receivables was RMB 539.6 million as of 30 June 2010 primarily due to the increased prepayments to automobile manufacturers in connection with increased automobile purchases as a result of the expansion of our dealership business. As of 30 September 2010, the subsequent settlement of our trade and other receivables as of 30 June 2010 was RMB 470.6 million of the balance of RMB 539.6 million as of 30 June 2010.

Our trade and other receivables was RMB 598.9 million as of 31 December 2009, an increase from RMB 398.8 million as of 31 December 2008, primarily due to increased prepayments to automobile manufacturers in connection with our strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2010.

Our trade and other receivables was RMB 398.8 million as of 31 December 2008, an increase from RMB 248.0 million as of 31 December 2007, primarily due to the increase in our prepayments to automobile manufacturers as a result of our strategic purchases of additional premium branded automobiles in anticipation of strong demand in 2009, an increase in various deposits paid for construction and purchases for equipment as a result of the opening of new dealership stores and an increase in trade and bills receivables as we commenced operations of our lubricant oil trading business in 2008.

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The following table sets forth an aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Current	57,042	79,149	73,800	82,565
Less than 1 month past due	—	—	—	—
1 to 3 months past due	—	—	—	—
3 to 12 months past due	—	5,466	83	—
Total amount past due	—	5,466	83	—
	<u>57,042</u>	<u>84,615</u>	<u>73,883</u>	<u>82,565</u>

As of 30 June 2010, our trade and bills receivables past due was nil. As of 31 December 2009, our trade and bills receivables past due were RMB 83,000, compared to nil and RMB 5.5 million as of 31 December 2007 and 2008 respectively. The amount in trade and bills receivables past due outstanding as of 31 December 2008 was primarily comprised of outstanding receivables from customers of our automobile logistics services and to a lesser extent outstanding receivables from automobile manufacturers for the provision of repair services under warranty. The amount in trade and bills receivables past due outstanding as of 31 December 2009 was comprised of the outstanding receivables from automobile manufacturers for the provision of repair services under warranty.

Most of our sales are conducted on a cash basis and credit sales are offered in rare cases subject to our credit policy, which requires management’s approval for all credit sales. In addition, management monitors our credit risk on an ongoing basis. Trade receivables balances mainly represent mortgages granted by major financial institutions to customers of the Group, which is normally settled within one month directly by the major financial institutions. Typically, we do not obtain collateral from customers.

The following table sets forth our average trade receivables turnover days for the periods indicated.

	Years Ended 31 December			Six Months Ended
				30 June
	2007	2008	2009	2010
Average trade receivables turnover days ⁽¹⁾	<u>6</u>	<u>8</u>	<u>6</u>	<u>5</u>

Note:

- (1) The average trade and bills receivables turnover day for a certain period is the average of opening and closing trade and bills receivables balances divided by turnover for that period and multiplied by 365 days for a year or by 180 days for six months.

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Our average trade receivables turnover days reflect the changes in the average of the opening and the closing trade receivable balances as divided by the turnover for the relevant periods. Therefore, our average trade receivables turnover days indicate the time required for our Group to obtain cash proceeds from our sales. Our Group maintained short turnover days during the Track Record Period mainly because most of our sales were conducted on a cash basis.

During the Track Record Period, we did not make any provisions for trade receivables.

Cash and cash equivalents

The following table sets forth our cash and cash equivalents as of the dates indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Deposit with banks within three months of maturity	85	164	124	10
Cash at banks and on hand	49,704	54,631	176,774	120,637
Cash and cash equivalents	<u>49,789</u>	<u>54,795</u>	<u>176,898</u>	<u>120,647</u>

Our cash and cash equivalents as of 31 December 2007, 2008 and 2009 were RMB 49.8 million, RMB 54.8 million, and RMB 176.9 million respectively. Our cash and cash equivalents as of 30 June 2010 was RMB 120.6 million. See “Cash flow” in this section of this document.

Trade and other payables

The following table sets forth our trade and other payables as of the dates indicated below:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Trade payables	45,200	38,194	44,597	51,789
Bills payable	289,428	384,379	1,160,288	1,561,482
Receipts in advance	63,830	97,347	100,935	83,865
Other payables and accruals	59,148	67,808	113,047	105,284
Payables due to third parties	<u>457,606</u>	<u>587,728</u>	<u>1,418,867</u>	<u>1,802,420</u>
Payables due to related parties	230,178	388,757	215,133	221,572
Trade and other payables	<u>687,784</u>	<u>976,485</u>	<u>1,634,000</u>	<u>2,023,992</u>

Our trade and other payables consist of (i) trade payables, which primarily consist of amounts payable by us in connection with our logistics services and lubricant oil trading businesses, (ii) bills payable, which are primarily related to the use of bank acceptance notes for payment of our new

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automobile purchases, (iii) receipts in advance, which primarily consist of payments in advance by customers for purchases of new automobiles, (iv) other payables and accruals and (v) payables due to related parties. Consistent with industry practice, we use bank acceptance notes in addition to cash to purchase new automobiles and are required to bear relevant discount interests.

As of 30 June 2010, our trade and other payables were RMB 2,024.0 million, representing an increase from RMB 1,634.0 million as of 31 December 2009, RMB 976.5 million as of 31 December 2008 and RMB 687.8 million as of 31 December 2007. The increase in trade and other payables during the Track Record Period, which was primarily due to increased bills payable and receipts in advance as we expanded our business and increased purchases of new automobiles and the increase in our other payables and accruals during the Track Record Period, which was primarily due to the increase in other tax payables as a result of our increase in total turnover, the increase in various deposit we received from our customers of our automobile dealership and logistics services businesses, and the increase in staff related fees as a result of the expansion of our business. As of 30 September 2010, the subsequent settlement of our trade and other payables as of 30 June 2010 was RMB 1,705.3 million of the balance of RMB 2,024.0 million as of 30 June 2010.

The Directors confirm that the balance of payables due to related parties will be settled before the [●]. We made such settlement by setting off balances against amounts due from related parties. We settled our payables due to related parties with cash collection of receivables due from related parties and capitalized the remaining balance due to related parties into equity of the applicable entities, which will be reflected as contribution from an equity holder of the Company in the combined financial information.

During the Track Record Period, most of our trade and bills payable were settled by cash or banks’ acceptance notes within six months and we generally bear the applicable discount interests of such notes.

The following table sets forth an aging analysis of our trade and bills payables as at the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Due within 3 months.....	316,458	422,573	1,015,887	1,508,150
Due after 3 months but within 6 months	18,170	—	188,998	105,121
	334,628	422,573	1,204,885	1,613,271

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The following table sets forth our average trade and bills payables turnover days for the periods indicated:

	Year Ended 31 December			Six Months Ended 30 June
	2007	2008	2009	2010
Average trade and bills payables turnover days ⁽¹⁾ ..	<u>50</u>	<u>49</u>	<u>65</u>	<u>89</u>

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 for that period and multiplied by 365 days for a year or by 180 days for a six month period.

Our average trade and bills payables turnover days for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 increased primarily because we increased the use of bills payable to settle our purchases of new automobiles. Our bills payable usually has a credit term of two to three months. Our trade payables in connection with our logistics services and lubricant oil trading business usually have a term of one to two months. Our average trade and bills payables turnover days increased for the year ended 31 December 2009 and the six months ended 30 June 2010 as we increased our use of bills payable in connection with our purchases of new automobiles due to favorable discount interests on bank acceptance notes.

Amounts due to related parties

Our amounts due to related parties as of 31 December 2007, 2008 and 2009 were RMB 230.2 million, RMB 388.8 million and RMB 215.1 million respectively. Our amounts due to related parties as of 30 June 2010 was RMB 221.6 million. All non-trade related outstanding balances with our related parties will be settled before the [●]. With respect to the trade related transactions with related parties set out in Note 29 to the Accountants’ Report in Appendix I of this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms not less favorable or not more favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

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The following tables set forth our advances from and to related parties as of the periods indicated.

Other payables due to:	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Hubei Shengze	187,288	162,408	—	201,418
Hubei Ruishi	3,084	—	—	—
Shanghai Shenxie Shenqi	8,510	2,346	—	—
Inner Mongolia Huadun	—	847	—	—
Suizhou Bocheng	4,030	3,746	—	—
Wuhan Xinboheng	—	8,000	8,000	8,000
Liaoning Meixing	3,777	7,328	9,128	—
Hebei Shengze	11,602	70,210	63,764	—
Shanxi Dingjie	7,718	130,300	123,472	—
Xinjiang Meilin	720	720	—	—
Wuhan Zhongcheng	1,538	2,852	5,037	—
Shanghai Shenrui	1,911	—	—	—
Xu Ling	—	—	2,000	2,000
Inner Mongolia Shengze Dingjie	—	—	—	2,995
Jingdezhen Jishun	—	—	3,732	7,159
Total	<u>230,178</u>	<u>388,757</u>	<u>215,133</u>	<u>221,572</u>

Other receivables due from:	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Hubei Shengze	—	—	41,712	—
Beijing Jiaruiya	130	130	129	12
Shanghai Lushi	20,445	22,069	16,181	14,347
Shanghai Shenxie Shenqi	—	—	20,092	120
Inner Mongolia Huadun	—	—	653	—
Shanghai Shenhui	742	1,012	—	—
Shanghai Zhenyang	—	509	—	—
Dalian Zhengyang	10,000	—	—	—
Heilongjiang Dingjie	229	—	—	—
Shanghai Shenrui	—	1,383	17,955	17,568
Hubei Ruishi	—	—	—	16
Wuhan Zhongcheng	—	—	—	285
Beijing Baoze Technology	—	—	—	368
Changsha Shengze Ruibao	—	—	—	3
Shanghai shengze Dingjie	—	—	—	93
Total	<u>31,546</u>	<u>25,103</u>	<u>96,722</u>	<u>32,812</u>

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Pledged bank deposits

Our pledged bank deposits consist of bank deposits that have been pledged as security for bank loans and bills payable and will be released upon the settlement of relevant bank loans and bills payable. Our pledged bank deposits increased during the Track Record Period from RMB 188.4 million as of 31 December 2007 to RMB 234.8 million as of 31 December 2008, to RMB 894.9 million as of 31 December 2009 and to RMB 1,024.2 million as of 30 June 2010, primarily due to the pledge of bank deposits to secure our increased bills payable.

The following table sets forth our pledged bank deposits as of the dates indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Pledged bank deposits.....	188,379	234,827	894,853	1,024,241

Fixed Assets

Our fixed assets consist of investment properties and other plant, property and equipment. The net book value of our fixed assets amounted to RMB 313.3 million, RMB 308.7 million, RMB 351.3 million and RMB 414.5 million as of 31 December 2007, 2008 and 2009 and 30 June 2010. The increase in fixed assets from 31 December 2007 to 31 December 2008 was primarily due to an increase in plant, property and equipment, particularly automobiles used as display or test-drive models. The increase in fixed assets from 31 December 2008 to 31 December 2009 and to 30 June 2010 was primarily due to an increase in plant, property and equipment, particularly automobiles used as display or test-drive models, and buildings and construction in progress, which was due to the continued expansion of our dealership network.

Lease prepayments

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 37 to 50 years when granted. The net book value of our lease prepayments amounted to RMB 131.9 million, RMB 128.8 million, RMB 150.3 million and RMB 162.4 million as of 31 December 2007, 2008 and 2009 and 30 June 2010. The increase in net book value of our lease prepayments from 31 December 2008 to 31 December 2009 was primarily due to the acquisition of land use rights in connection with the expansion of our dealership network.

Intangible assets

Our identifiable intangible assets consist of (i) RMB 59.7 million of recognized in connection with our acquisition of Audi dealership in Shantou for its relationship with automobile manufacturers, which has an estimated useful life of 20 years and (ii) club debenture with cost of RMB 363,000, which the Directors are of the opinion that it has an indefinite useful life.

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INDEBTEDNESS

Loans and borrowings

Our loans and borrowings as of 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB 398.0 million, RMB 337.6 million, RMB 348.5 million and RMB 465.3 million respectively. Our loans and borrowings as of 30 September 2010 were RMB 488.3 million.

Loan and borrowings

The following table sets forth the carrying amount of loans and borrows as of the dates indicated.

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	RMB	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
					(unaudited)
Unsecured loans					
Unsecured bank loans.....	220,657	141,500	124,200	140,200	144,800
Unsecured loans from controlling shareholder ⁽¹⁾	21,515	35,615	38,596	39,910	—
Total unsecured loans	242,172	177,115	162,796	180,110	144,800
Secured loans and borrowings					
Secured bank loans.....	117,900	102,550	139,550	208,250	280,169
Secured borrowings from other financial institutions ⁽²⁾	37,905	57,929	46,171	76,913	63,309
Total secured loans and borrowings	155,805	160,479	185,721	285,163	343,478
Total	397,977	337,594	348,517	465,273	488,278

The following table sets forth the assets of the Group securing our secured bank loans and borrowings from other financial institutions⁽²⁾ as of the dates indicated.

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	RMB	RMB	RMB	RMB	RMB
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
					(unaudited)
Inventories.....	12,794	22,095	12,488	37,766	173,297
Pledged bank deposits.....	8,850	4,500	—	6,850	10,000
Investment properties.....	11,476	11,057	10,639	10,429	—
Other property, plant and equipment.....	4,976	4,819	4,661	4,582	—
Lease prepayments.....	5,512	5,374	8,631	4,998	4,963
Total	43,608	47,845	36,419	64,625	188,260

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Notes:

- (1) Mr. Wang Muqing and Rising Wave entered into an agreement confirming that such unsecured loans were provided by Mr. Wang Muqing to Rising Wave. As advised by our PRC Legal Advisors, the parties’s entry into such agreement did not violate any applicable PRC laws and regulations.
- (2) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers, which are financial institutions approved by the China Banking Regulatory Commission.

The following table sets forth the assets of related parties securing our secured bank loans as of the dates indicated.

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)
Guarantees issued by related parties in respect of bank loans borrowed by the Group:					<i>(unaudited)</i>
- Beijing Jiaruiya	—	—	40,000	25,000	—
- Hubei Shengze ⁽¹⁾	<u>91,657</u>	<u>71,500</u>	<u>84,200</u>	<u>112,800</u>	<u>129,800</u>
	<u>91,657</u>	<u>71,500</u>	<u>124,200</u>	<u>137,800</u>	<u>129,800</u>

(1) The guarantee issued by Hubei Shengze was released in full in October 2010.

In addition, the carrying value of assets of related parties pledged to banks as security for bank loans borrowed by the Group are analysed as follows:

	As of 31 December			As of 30 June	As of 30 September
	2007	2008	2009	2010	2010
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)
- Other property, plant and equipment	37,000	37,000	—	—	—
- Lease prepayments	<u>—</u>	<u>—</u>	<u>164,775</u>	<u>164,775</u>	<u>164,775</u>
	<u>37,000</u>	<u>37,000</u>	<u>164,775</u>	<u>164,775</u>	<u>164,775</u>

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Statement of indebtedness

As of 30 September 2010, being the latest practicable date for the purpose of this indebtedness statement, save as set forth in this section entitled, “Financial Information — Indebtedness,” we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities, or guarantees. We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since 30 September 2010. As of 30 September 2010, we had RMB 711.9 million in undrawn banking facilities and have received confirmation from banks in respect of the rolling over of short-term loans to the year ended 31 December 2011.

Contingent liabilities

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.

As of 30 June 2010, subsidiaries comprising the Group issued financial guarantees to related parties in the amount of RMB 55 million and have assets being pledged to financial institutions as security for bank loans borrowed by related parties in the amount of RMB 232.4 million. As of 30 June 2010, our Directors do not consider it probable that a claim will be made against the subsidiaries under any of the guarantees and for any of the assets pledged. All such guarantees and assets pledged to banks will be released/disposed prior to or upon the [●].

As at the Latest Practicable Date, other than such guarantees and assets pledged to banks, we did not have any material contingent liabilities or guarantees.

No material adverse change

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since 30 June 2010 and no event since 30 June 2010 has occurred that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios for and as of the respective dates.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
Current ratio ⁽¹⁾	0.66	0.75	0.96	0.97
Quick ratio ⁽²⁾	0.44	0.52	0.82	0.67
Gearing ratio ⁽³⁾	0.59	0.50	0.60	0.63
Return on equity ⁽⁴⁾	36.6%	43.0%	53.6%	56.0%
Return on assets ⁽⁵⁾	2.8%	2.7%	7.6%	11.1%

Notes:

- (1) current assets / current liabilities
- (2) (current assets - inventories) / current liabilities
- (3) (loans and borrowings + bills payable) / total assets
- (4) profit for the period / ((total equity at the beginning of the period + total equity at the end of the period)/ 2), which is annualized for the six months ended 30 June 2010 by multiplying 2.
- (5) profit for the period / ((total assets at the beginning of the period + total assets at the end of the period)/2), which is annualized for the six months ended 30 June 2010 by multiplying 2.

Current ratio

Our current ratios were 0.66, 0.75, 0.96 and 0.97 as of 31 December 2007, 2008 and 2009 and 30 June 2010. The increase in our current ratio from 31 December 2008 to 31 December 2009 was primarily attributable to the increase in cash and cash equivalents due to the increased cash flow generated from our operating activities in 2009. The increase in our current ratio from 31 December 2007 to 31 December 2008 was mainly due to decreased in short-term loans and borrowings, increased inventories, prepayments in 2008 in connection with our strategic purchase of additional premium automobiles in anticipation of strong demand in 2009, partially financed by bills payable.

Quick ratio

Our quick ratios were 0.44, 0.52, 0.82 and 0.67 as of 31 December 2007, 2008 and 2009 and 30 June 2010. The increase in our quick ratio from 2007 to 2009 corresponded to the increase in our current ratio. As of 30 June 2010, our quick ratio decreased compared to that as of 31 December 2009, mainly due to our increased bills payable as we increased our inventory level by increasing purchases of new automobiles, especially premium branded automobiles, in response of strong market demand and in connection with the opening of four new dealership stores in the same period.

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Gearing ratio

Our gearing ratios were 0.59, 0.50, 0.60 and 0.63 as of 31 December 2007, 2008 and 2009 and 30 June 2010. The increase of our gearing ratio as of 31 December 2009 and 30 June 2010 was primarily due to increased bills payable in connection with our increased purchase of new automobiles in response to strong market demand.

Return on equity

Our returns on equity were 36.6%, 43.0%, 53.6% and 56.0% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. The increase in our return on equity from the year ended 31 December 2008 to the year ended 31 December 2009 was primarily attributable to increase in profit as we expanded our business and increased our net profit margin due to improvement in our efficiency of operations and product sales mix. The increase in our return on equity from the year ended 31 December 2007 to the year ended 31 December 2008 was mainly due to increased profit as we expanded our business and increased use of advances from related parties to fund part of our expansion needs. The increase in our return on equity for the six months ended 30 June 2010 compared to the year ended 31 December 2009 was primarily due to recognition of RMB 3.2 million of gain on remeasurement of previously held equity interest in a jointly controlled entity and RMB 27.3 million of gain on bargain purchase in connection with our acquisition of additional 30% equity stake in Guangzhou Fengshen in June 2010. For details, please refer to Note 15 of the Accountants’ Report.

Return on assets

Our returns on assets were 2.8%, 2.7%, 7.6% and 11.1% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. The increase in our return on assets from the year ended 31 December 2008 to the six months ended 30 June 2010 was primarily attributable to increase in profit as we expanded our business and increased our net profit margin resulting from improvement in our efficiency of operations and product sales mix. In addition, the recognition of RMB 3.2 million of gain on remeasurement of previously held equity interest in a jointly controlled entity and RMB 27.3 million of gain on bargain purchase in connection with our acquisition of additional 30% equity stake in Guangzhou Fengshen in June 2010 also contributed to our higher return on assets for the six months ended 30 June 2010. For details, please refer to Note 15 of the Accountant’s Report.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks, including interest rate risks, foreign exchange risk and liquidity risk.

FINANCIAL INFORMATION

Interest rate risks

We are exposed to interest rate risks resulting from fluctuations in interest rates on our debt. Increases in interest rates could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our turnover, profit and other financial condition. The interest rate on bank loans and overdrafts in the PRC depends on PRC regulations. We do not currently use any derivative instruments to manage our interest rate risks as such risks are considered minimal.

Foreign exchange risks

We conduct our business primarily in Renminbi. In July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi was permitted to fluctuate within a band against a basket of certain foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. For almost two years after July 2008, the Renminbi traded within a very narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase Renminbi exchange rate flexibility. However, it remains unclear how this flexibility might be implemented. A depreciation of the Renminbi would adversely affect the value of any dividends we pay to investors outside the PRC. In addition, a depreciation of the Renminbi would result in an increase in the price of goods with imported content as our suppliers may adjust the price to pass any losses caused by Renminbi depreciation on to us. An appreciation of the Renminbi would adversely affect the value of the proceeds we receive from the [●] if they are not converted into Renminbi in a timely manner. We currently do not engage in hedging activities designed or intended to manage such currency risk.

Liquidity risks

We are exposed to liquidity risks. The cash management of all our operating entities in the PRC is centralized, including the raising of loans to cover expected cash demands. Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient cash inflows from operations, reserves of cash, and external financing to meet our liquidity requirements in the short and long term.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 9 July 2010 and has not carried out any business since the date of incorporation.

FINANCIAL INFORMATION

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders’ approval. The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our shareholders’ interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us.

PROPERTY INTERESTS AND PROPERTY VALUATION

Knight Frank Petty Limited, an independent property valuer, has valued our property interests as at 30 September 2010. 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 document.

FINANCIAL INFORMATION

The table below sets forth the reconciliation between the net book value of our Group’s property interests as at 30 September 2010 and the commercial valuation of such property interest as at 30 September 2010:

	RMB (in thousands)
Net book value of property interests of our Group as at 30 June 2010	
— Buildings and land use rights	424,154
 Movements in the three months ended 30 September 2010	
Less: Depreciation and amortization during the period	(3,868)
Disposal during the period	(150,320)
 Net book value of property interests of our Group as at 30 September 2010	269,966
Net book value of properties for self use and not transferrable in open market and not assigned a commercial value in the property valuation report	(123,685)
Net book value of properties assigned commercial value as at 30 September 2010	146,281
Commercial valuation depreciation	8,511
 Commercial valuation of property interests as of 30 September 2010 ⁽¹⁾	137,770

Note:

- (1) The property interests of our Group as indicated are comprised of the properties valued by Knight Frank Petty Limited as described in Appendix IV to this document excluding two properties owned by Guangzhou Fengshen in which the Company has aggregate 50% equity interest.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below sets forth certain information in respect of the members of our Board:

Name	Age	Position
Mr. WANG Kunpeng (王昆鵬)	38	Executive Director and chief executive officer
Mr. LI Zhubo (李著波)	41	Executive Director and chief financial officer
Mr. CAO Limin(曹里民)	40	Executive Director and senior vice president
Mr. LIU Dongli (柳東靈)	40	Executive Director and chief investment officer
Mr. WANG Muqing (王木清)	60	Non-executive Director
Mr. CHEN Tao (陳弢)	40	Non-executive Director
Mr. TAN Xiangyong (譚向勇)	53	Independent non-executive Director
Mr. ZHANG Yansheng (張燕生)	55	Independent non-executive Director
Dr. WONG Tin Yau, Kelvin (黃天祐)	49	Independent non-executive Director

DIRECTORS

Executive Directors

Mr. WANG Kunpeng (王昆鵬), aged 38, is an executive Director appointed on 20 July 2010 and has served as our chief executive officer of our Group since 1 May 2010. He has held several senior management positions within our Group since 2006, including at Hubei Shengze (湖北聖澤實業有限公司) where he has been the chief executive officer since 2009 and was previously the special assistant of the president and at Wuhan Jietong (武漢聖澤捷通物流有限公司), where was the general manager and had primary responsibilities of overseeing our logistics services business. Prior to joining us, Mr. Wang held several positions in FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限責任公司), a company engaged in distributed-related activities with respect to Volkswagen automobiles, from 1997 to 2006, including as the general manager of the central south China region from 2002 to 2006, the chief executive manager of Liaoning and Shandong region from 2000 to 2002, the manager of the Liaoning region from 1997 to 2000, where his primarily responsibilities included the management of sales of, after-sales services for, and logistics services relating to Audi and Volkswagen branded automobiles. Mr. Wang received a diploma in vehicle from Jilin University of Technology in 1994.

Mr. LI Zhubo (李著波), aged 41, is an executive Director appointed on 20 July 2010 and has served as our chief financial officer since 1 May 2010 with primary responsibilities for overall financial management of our Group. Mr. Li has also served as a vice president of Hubei Shengze since 2003. Mr. Li has 18 years of experience in financial management in the automobile industry. Prior to joining us in 1999, Mr. Li served as an accounting officer of Hubei Shenying Automobile Co., Ltd. (湖北神鷹汽車有限責任公司), a specialty vehicle manufacturer based in Hubei province, from July 1992 to July 1996. Mr. Li received a diploma in audit from Finance and Trading School of Yunyang,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

a junior college certificate in financial accounting jointly issued by the Amateur College Direct Subordinate Organization of Hubei Provincial Government in 1992 and 2004 respectively, and completed the non-degree undergraduate accounting program jointly sponsored by Beijing Technology and Business University and Open University of China in 2006.

Mr. CAO Limin (曹里民), aged 40, has been an Executive Director since 7 August 2010 and a senior vice president since 1 August 2010. Mr. Cao has held several senior positions in Hubei Shengze (湖北聖澤實業有限公司), including as vice president from 1998 to 2002, executive president from 2003 to 2009 and president since 2009. Mr. Cao has approximately 20 years of experience in automobile industry. Prior to joining us in 1998, Mr. Cao was an assistant engineer in the manufacture design institute of Dongfeng Motor Corporation (東風汽車公司), an automobile manufacturer in China, from July 1991 to November 1996. Mr. Cao served as business manager of Dongfeng Automobile Industrial Financing Company (東風汽車工業財務公司) from November 1996 to March 1998. Mr. Cao received a bachelor’s degree in computer applications from Fudan University in 1991.

Mr. LIU Dongli (柳東麗), aged 40, has been an Executive Director since 7 August 2010 and our chief investment officer since 1 May 2010 and is responsible for strategic investments and the development of our dealership network, including the establishment and acquisition of dealership stores. Mr. Liu has over 10 years of experience in the automobile industry. Mr. Liu was the vice president of Hubei Shengze (湖北聖澤實業有限公司) from August 2009 to July 2010. Prior to joining us, Mr. Liu was the chief operating officer from October 2007 to February 2009, including as the acting chief executive officer for one year, and chief dealership network officer from February 2009 to July 2009 of China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份公司), a major automobile dealership group in China. From 1999 to 2007, Mr. Liu held various positions at Shanghai Shenhua Holdings Co., Ltd. (上海申華控股股份有限公司 stock code: 600653), a listed subsidiary of Brilliance Auto Group Co., Ltd. (華晨汽車集團控股有限公司), which is an automobile manufacturer that has indirectly established BMW Brilliance Automotive Co., Ltd. (華晨寶馬汽車有限公司) with BMW AG to manufacture BMW branded automobiles in China, including the deputy manager of investment department from 1999 to 2002, secretary of the board of directors and the head of investment department from 2002 to 2003, vice president from June 2002 to October 2007, board director from December 2005 to October 2007. Mr. Liu received his bachelor’s degree in business management from Shanghai University of Finance and Economics in 1992, and his master’s degree in business administration from Shanghai University of Finance and Economics in 2000. Mr. Liu is also the vice chairman of the China Auto Dealers Chambers of Commerce and an executive member of China Automobile Dealers Association.

Non-executive Directors

Mr. WANG Muqing (王木清), aged 60, is the founder of our Group and has served as a non-executive Director since 9 July 2010. Prior to founding our Group in 1999, Mr. Wang held various positions from 1970 to 1998 at Shiyuan Representative Office of Hubei Industrial Building Group Installation Engineering Co., Ltd. (湖北省工業建築集團安裝工程有限公司十堰辦事處), which is in the business of the installation and commission of equipment. As he had opportunity to meet with some of the manufacturers and/or distributors of automobiles, he became interested in establishing his

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

own business in the automobile industry. He thus established a trading business in 1996 for the trading of trucks. Its initial registered capital amounted to RMB 688,000. The management responsibility of such enterprise was then entrusted with other family members of the Wang Family, and he did not actively participate in the management of any 4S dealership business.

The initial venture proved successful and Shenghai Shenxie was established three years later, in 1999, for the retail business of Nissan vehicles. Two years later, in 2001, Hubei Shengze was established and has since been the Wang Family holding company for 4S dealerships, property investments and other ventures. Its initial registered capital was RMB 200 million. Such initial venture was subsequently dissolved in 2005.

Mr. CHEN Tao (陳弢), aged 40, has served as a non-executive Director of our Group since 7 August 2010. Mr. Cao has over 16 years of experience of management consulting and has been a consultant to Hubei Shengze since 2009. Prior to joining us, Mr. Chen served as a management consultant at Beijing Pilot Sales Marketing Management Consultant Co., Ltd. (北京派力營銷管理諮詢有限公司) from 1994 to 1998 and as a management consultant at Shanghai Bexcel Management Consultants Co., Ltd. (上海遠卓企業管理諮詢有限責任公司) from 1999 to 2009. Mr. Chen received the bachelor’s degree in machinery design and manufacture from Zhejiang University in 1992.

Independent Non-executive Directors

Mr. TAN Xiangyong (譚向勇), aged 53, has served as an independent non-executive Director of our Group since 17 November 2010. Mr. Tan has been the president of Beijing Technology and Business University and as a doctoral supervisor in Economics since March 2008. Mr. Tan also holds several senior positions at various associations and public bodies including, serving as the vice chairman of the China Logistic and Supply Association since 2007, the vice chairman of the China Agricultural Economics Institution since 1999, a council of the 7th and 8th Beijing municipal government since 2003, and a member of an expert committee of the “11th Five Plan” of Beijing since 2005. Mr. Tan has also previously held several positions in various educational institutions, including Beijing Agricultural University (which became China Agricultural University in September 1995) from August 1982 to October 2005, where he was a professor and dean of the Economics and Management School from 1993 to 1997 and the executive vice dean of the postgraduate school from 1997 to 1998 and the vice president of the China Agricultural University from 1998 to 2005. Mr. Tan was also the president of Beijing Wuzi University from 2005 to 2008. Mr. Tan received a bachelor’s degree in agricultural economics in 1982, a master’s degree in agricultural economics and administration in 1988 and doctorate degree in agricultural economics and management in 1995, from Beijing Agricultural University. Mr. Tan is an expert entitled to special subsidy from the State Council of the PRC. Mr. Tan was recognized as a Beijing Excellent Tutor and National Excellent Tutor in 1995.

Mr. ZHANG Yansheng (張燕生), aged 55, has served as an independent non-executive Director of our Group since 17 November 2010. Mr. Zhang also serves in several senior positions at various public bodies including as the head of the Institute for International Economic Research of the NDRC since 1996 and professor of international finance at the Central University of Finance and Economics. Mr. Zhang previously served as the senior supervisor at the Central University of Finance and

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Economics from 1984 to 1996. Mr. Zhang received a bachelor’s degree in law from Sichuan Normal College (which has since become Sichuan Normal University) in 1984, a master’s degree in Economics from Huazhong University of Science and Technology. Mr. Zhang is an expert entitled to special subsidy from the State Council of the PRC.

Dr. WONG Tin Yau Kelvin (黃天祐), aged 50, has served as an independent non-executive Director of our Group since 17 November 2010. Dr. Wong is also an executive director and deputy managing director of, the chairman of the corporate governance Committee and member of the executive committee of COSCO Pacific Limited (中遠太平洋有限公司, Stock Code: 1199), where he is responsible for the overall management, strategic planning, financial management, and investor relations. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO Pacific Limited in July 1996. In addition, Dr. WONG is the Chairman of The Hong Kong Institute of Directors, Council Advisor and past Chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Appeal Board Panel (Town Planning), a member of the Standing Committee on Company Law Reform, a member of The Board of Review (Inland Revenue Ordinance) and a Board Director of Business Environment Council. He was a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants and a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council. He received his MBA from Andrews University in Michigan, in the United States in 1992 and his doctorate degree from The Hong Kong Polytechnic University in 2007. He is an associate member of The Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, The Chartered Institute of Marketing and the National Investor Relations Institute in the United States. He has more than 25 years of working experience in management, banking and securities industries. Dr. Wong is also currently an independent non-executive director and chairman of the Audit Committee of China Metal International Holdings Inc. (勤美達國際有限公司, Stock Code: 0319), an independent non-executive director of CIG Yangtze Ports PLC (中國基建港口有限公司, Stock Code: 8233) and an independent non-executive director of I.T Limited (I.T.集團有限公司, Stock Code: 0999) and was an independent non-executive Director and Chairman of the audit committee of Tradelink Electronic Commerce Limited (貿易通電子貿易有限公司, Stock Code: 0536).

OTHER SENIOR MANAGEMENT

The table below sets forth information regarding our other senior management:

Name	Age	Position
Mr. MOK Kwok Choi Peter (莫國材)	41	Chief operating officer
Ms. WANG Guoqing (王國清)	45	Chief human resource officer
Mr. LIANG, Current Tien Tzu (梁天柱)	54	Financial controller and company secretary

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. MOK Kwok Choi Peter (莫國材), aged 41, has served as our chief operating officer since 16 July 2010 and oversees the management and operation of all of our dealership stores. Mr. Mok has over 8 years of experience in the operation of automobile dealership stores. Prior to joining us, Mr. Mok held various positions at Northern China German Auto Co. Ltd. (燕京德國汽車有限公司) and its subsidiaries, a BMW dealership company in northern China, from April 2003 to July 2010, including as the director of sales and marketing of the Beijing region from April 2003 to March 2004, the general manager of Beijing Yandebao Auto Sales Co., Ltd. (北京燕德寶汽車銷售有限公司), a subsidiary of Northern China German Auto Co., Ltd. from April 2004 to August 2005, the general manager of the Beijing region from September 2005 to June 2010, and the general manager of the northern China region for the BMW department from June 2010 to July 2010, with responsibilities that included managing the growth and expansion of the dealership network. Mr. Mok received his bachelor’s degree in art with honors from the University of Hong Kong in 1991 and his MBA (distance education) from the University of Strathclyde in 2005. Mr. Mok has received several awards from BMW, including first place in the northern region of the BMW China Incentive 2006 Program and general manager of the Outstanding MINI Team 2009.

Ms. WANG Guoqing (王國清), aged 45, has served as our chief human resource officer since 17 June 2010 and oversees our human resources. Ms. Wang has over 10 years of experience in human resources management. Prior to joining us, from 1999 to 2010, Ms. Wang held various positions in Auchan Group (歐尚集團), which operates supermarkets and hypermarkets internationally, including as the human resource manager of its Shanghai Zhongyuan store from 1999 to 2002 and recruiting manager and career development planning manager of Auchan Group China (歐尚中國) from 2002 to 2004. From 2004 to 2010, Ms. Wang was the chief human resources officer of Leroy Merlin China (樂華梅蘭集團中國公司), a member of company of Groupe Adeo, an international association of “do it yourself” home improvement retailers. Ms. Wang received her bachelor’s degree in international politics from Fudan University in 1986 and her master’s degree in marketing from ESSEC Business School of France in 1996.

Mr. LIANG, Current Tien Tzu (梁天柱), also known as T.T. Liang, aged 54, has served as the financial controller and company secretary of the Company since 4 September 2010 and 17 November 2010 respectively. He has over 27 years of experience in accounting, finance and corporate finance. Prior to his joining the Group, he worked in Guocoland Limited (stock code: F17) as the group financial controller for its China division. He held a number of senior appointments which include director of investor relations of Samson Holding Ltd. (stock code: 531), chief financial officer of Lacquercraft (a subsidiary of Samson Holding Ltd. in China), deputy general Manager of Lee & Man Paper Manufacturing Limited (stock code: 2314), executive director and chief financial officer of Minth Group Limited (stock code: 425), chief financial officer of New World Services Limited (stock code: 0659), chief internal auditor of New World Development Ltd. (stock code: 17), and manager of Corporate Advisory Services of Thorne Ernst & Whinney in Toronto, Canada. He is a member of the Canadian Institute of Chartered Accountants and a fellow of the Hong Kong Institute Certified Public Accountants. He holds a Master of Professional Accounting degree from Hong Kong Polytechnic University and a Bachelor of Commerce degree from Concordia University of Montreal, Canada.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

The company secretary of our Company is Mr. Liang, Current Tien Tzu , whose brief biographic details are set out above in the paragraph headed “Senior Management”.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 17 November 2010 with effect from the [●] with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

The audit committee comprises three members, namely, Dr. Wong Tin Yau, Kelvin, Mr. Chen Tao and Mr. Zhang Yansheng. Other than Mr. Chen Tao being a non-executive Director, all members of the Audit Committee are independent non-executive Directors. The audit committee is chaired by Dr. Wong Tin Yau, Kelvin.

Remuneration Committee

Our Company established a remuneration committee on 17 November 2010 with effect from the [●]. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management.

The current members of the remuneration committee are Mr. Tan Xiangyong, Dr. Wong Tin Yau, Kelvin and Mr. Wang Kunpeng. The remuneration committee is chaired by Mr. Tan Xiangyong.

Nomination Committee

Our Company established a nomination committee on 17 November 2010 with effect from the [●] to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The current members of the nomination committee are Mr. Zhang Yangsheng, Mr. Liu Dongli and Mr. Tan Xiangyong. The nomination committee is chaired by Mr. Zhang Yangsheng.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company’s remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly. The same policies will be adopted after [●].

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, to those persons who have been or are our Directors, was approximately RMB 0.4 million, RMB 0.4 million, RMB 0.4 million and RMB 0.3 million respectively.

Of the five highest paid individuals of the Company for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, none of them are Directors of the Company. The aggregate amount of fees, salaries, discretionary bonuses and contributions to retirement benefit plans of the top five individuals for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 was approximately RMB 0.6 million, RMB 1.0 million, RMB 1.6 million and RMB 1.0 million respectively.

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 by us or any of our subsidiaries to our Directors or the five highest paid individuals of our Company. It is estimated that under the current arrangements presently in force, the Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2010 is expected to be approximately RMB 975,000 excluding the discretionary bonuses payable to the executive Directors.

PRE-[●] SHARE OPTION SCHEME

The Company has, based on a framework plan formulated in August 2010, formally adopted the Pre-[●] Share Option Scheme on 17 November 2010. The purpose of the Pre-[●] Share Option Scheme is to recognise and reward the contribution of certain Directors, senior management, employees and former employees of the Group to the growth and the development of the Group and the [●] of the Shares on the [●]. As at the Latest Practicable Date, options to subscribe for an aggregate of 23,537,900 Shares had been granted by the Company under the Pre-[●] Share Option Scheme, none of which has been exercised by the grantees. A summary of the principal terms of the Pre-[●] Share Option Scheme is set out in the paragraph headed “Pre-[●] Share Option Scheme” in Appendix VII to this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EMPLOYEES

We had 1,823, 2,065, 2,521 and 2,645 employees as of 31 December 2007, 2008, 2009 and 30 June 2010 respectively. The following table sets forth the number of our employees in each of our areas of operations and as a percentage of our total workforce as of 30 June 2010:

	As of 30 June 2010	
	Employees	Percentage
		(%)
Dealership business.....	2,194	82.9
Logistics services business.....	123	4.7
Lubricant oil trading business	5	0.2
Administrative	110	4.2
Finance	213	8.0
Total	<u>2,645</u>	<u>100.0</u>

Our success depends to a significant extent upon our ability to attract, retain and motivate qualified personnel. We typically offer our employees competitive compensation packages and various training programs, and as a result, we have generally been able to attract and retain qualified personnel. Our employees are highly educated. As of the Latest Practicable Date, approximately 22.1% of our employees have university or associated university degrees. We do not hire part-time employees. All of our employees are based in China.

We typically recruit graduates from vocational schools, colleges and universities around China. We attend on-campus and off-campus career fairs. In addition, we also recruit employees through various other channels, including advertisements in local news papers and postings on job recruitment websites.

Certain of our employees have entered into employment agreements with us that contain confidentiality and non-competition clauses covenants that prohibit each of them from engaging in any activities that compete with our business during their employment with us and for two years after their employment with us.

We are required under PRC laws to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans. Our contributions are made based on specified percentages of the salaries of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses. Our total contribution to such employee benefits required by applicable PRC regulations amounted to RMB 4.7 million, RMB 6.4 million and RMB 8.1 million in the years ended 31 December 2007, 2008 and 2009 respectively. Our employees are not covered by any collective bargaining agreement. We have not experienced any major disputes with our employees and we believe that we maintain a good working relationship with our employees.

SUBSTANTIAL SHAREHOLDERS

The following entities will exercise, or control the exercise of, 10% or more of the voting power at general meetings of our Company:

Name	Number of Shares	Approximate percentage of shareholding
Joy Capital (<i>Note</i>)	1,500,000,000	75%
Grand Glory Enterprises Limited (<i>Note</i>)	1,500,000,000	75%
Mr. Wang Muqing (<i>Note</i>)	1,500,000,000	75%

Note:

Joy Capital is the direct owner of 1,500,000,000 Shares. The entire issued share capital is owned by Grand Glory Enterprises Limited, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee for The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The Grand Glory Trust include members of the Wang Family.

In addition to the above and so far as our Directors are aware, the following entities are directly interested in 10% or more of the nominal value of any class of equity capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

Name of our subsidiary	Substantial shareholder of such subsidiary	Percentage of shareholding ⁽⁶⁾
Zhuhai Baoze	Hubei Shengze	100%
Inner Mongolia Dingjie	Hubei Shengze	100%
Hubei Dingjie	Hubei Shengze	100%
Hubei Xinrui	Hubei Shengze	100%
Changsha Ruibao	Hubei Shengze	100%
Beijing Baozehang	Hubei Shengze	100%
Wuhan Baoze	Hubei Shengze	100%
Shantou Hongxiang	Hubei Shengze	80%
Shantou Hongxiang	Lin Limin	10%
Shantou Hongxiang	Wu Yihong	10%
Dongguan Jieyunhang	Hubei Shengze	75%
Dongduan Jieyun Hang	Lin Cheng	25%
Shanghai Shenxie	Hubei Shengze	100%
Chenzhou Ruibao	Hubei Shengze	100%
Wuhan Kaitai	Hubei Dingjie ⁽¹⁾	100%
Shiyen Shenxie	Hubei Dingjie ⁽¹⁾	100%
Inner Mongolia Dingze	Wuhan Kaitai ⁽²⁾	100%
Shenxie Shentong	Shanghai Shenxie ⁽³⁾	100%
Shanghai Luda	Shanghai Shenxie ⁽³⁾	100%
Shanghai Aohui	Shanghai Shenxie ⁽³⁾	100%

SUBSTANTIAL SHAREHOLDERS

Name of our subsidiary	Substantial shareholder of such subsidiary	Percentage of shareholding ⁽⁶⁾
Hubei Bocheng	Shanghai Luda	100%
Hubei Jierui	Hubei Bocheng	100%
Nanchang Baoze	Hubei Shengze ⁽⁴⁾	100%
Guangzhou Baoze	Hubei Shengze ⁽⁵⁾	100%
Yichang Baoze	Wuhan Baoze ⁽³⁾	100%
Huhhot Qibao	Wuhan Baoze	100%
Baotou Baoze	Huhhot Qibao	70%
Baotou Baoze	Wang Jianye	30%
Shanghai Yige	Yelin Trading (Shanghai) Company Limited	50%

Notes:

1. A direct wholly owned subsidiary of Hubei Shengze, which in turn is owned as to 70.4% equity interest by Mr. Wang and registered in the name of members of the Wang Family (namely, as to about 63.4% by Mr. Wang’s son and as to 7.04% by his daughter-in-law).
2. An indirect wholly owned subsidiary of Hubei Shengze, held as to 70% by Wuhan Kaitai (a direct wholly owned subsidiary of Hubei Shengze) and as to 30% by Inner Mongolia Dingjie (a direct wholly owned subsidiary of Hubei Shengze).
3. A direct wholly owned subsidiary of Hubei Shengze.
4. As to 80% and 20% equity interest held by Wuhan Baoze and Changsha Ruibao (both being direct wholly owned subsidiaries of Hubei Shengze) respectively.
5. As to 60% and 40% equity interest held by Wuhan Baoze and Changsha Ruibao (both being direct wholly owned subsidiaries of Hubei Shengze) respectively.
6. The percentage shareholding shown in the 3rd column is the equity interest in the relevant subsidiaries attributable to Hubei Shengze (or its wholly owned subsidiaries). Mr. Wang Muqing is interested in about 70.4% of the entire registered capital in Hubei Shengze.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the [●], exercise, or control the exercise of, 10% or more of the voting power at general meetings of our Company or our subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

	<i>HK\$</i>
<i>Authorised share capital:</i>	
20,000,000,000 Shares	2,000,000,000
<i>Shares in issue or to be issued, paid-up or credited as fully paid:</i>	
100,000,000 Shares in issue	10,000,000

Pre-[●] Share Option Scheme and Share Option Scheme

The Company has adopted the Pre-[●] Share Option Scheme and has conditionally adopted the Share Option Scheme. A summary of the respective principal terms of the Pre-[●] Share Option Scheme and the Share Option Scheme is set out in the paragraph headed “Pre-[●] Share Option Scheme” and “Share Option Scheme” in Appendix VII to this document.

This mandate will expire:

- (a) at the end of our Company’s next annual general meeting; or
- (b) at the end of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate are set forth under “Resolutions in writing of the sole Shareholder passed on 17 November 2010” in Appendix VII to this document.

APPENDIX I**ACCOUNTANTS’ REPORT**

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince’s Building
10 Chater Road
Central
Hong Kong

[●]

The Directors
China ZhengTong Auto Services Holdings Limited

[●]

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China ZhengTong Auto Services Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the “Relevant Period”), and the combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, together with the notes thereto (the “Financial Information”), for inclusion in the document of the Company dated [●] (the “●”).

The Company was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 17 November 2010 (the “Reorganisation”) as detailed in the section headed “Our History and Reorganisation” in the Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Big Glory International Limited and Zhuhai Baoze Nanguo Automobile Sales Services Co., Ltd., as they are either investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation or have not carried on any business since their respective dates of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant

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ACCOUNTANTS’ REPORT

Period and the names of the respective auditors are set out below. The statutory financial statements of these companies were prepared either in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) or the relevant requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises (“PRC GAAP”) issued by the Ministry of Finance of the People’s Republic of China (the “PRC”).

Name of company	Financial period	Statutory auditors
Rising Wave Development Limited (升濤發展有限公司)	Years ended 31 December 2007, 2008 and 2009	Alexander Wan & Co., registered in Hong Kong (溫萬樂會計師事務所)
Wuhan Shengze Jietong Logistics Co., Ltd.* (武漢聖澤捷通物流有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Shanghai Shenxie Automobile Trading Co., Ltd.* (上海紳協汽車貿易有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Shanghai Yige Science & Technology Trading Co., Ltd.* (上海繹格科工貿有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Hubei Dingjie Automobile Sales Services Co., Ltd.* (湖北鼎傑汽車銷售服務有限公司)	Years ended 31 December 2007 and 2008 Year ended 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所) Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務所有限公司)
Inner Mongolia Dingjie Automobile Trading Co., Ltd.* (內蒙古鼎傑汽車貿易有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Hubei Bocheng Automobile Sales Services Co., Ltd.* (湖北博誠汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Wuhan Kaitai Automobile Sales Services Co., Ltd.* (武漢開泰汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)

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Name of company	Financial period	Statutory auditors
Hubei Xinrui Automobile Sales Services Co., Ltd.* (湖北欣瑞汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Wuhan Baoze Automobile Sales Services Co., Ltd.* (武漢寶澤汽車銷售服務有限公司)	Year ended 31 December 2007	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
	Years ended 31 December 2008 and 2009	Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務有限公司)
Shiyan Shenxie Automobile Trading Co., Ltd.* (十堰紳協汽車貿易有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Shanghai Luda Automobile Sales Services Co., Ltd.* (上海陸達汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Changsha Ruibao Automobile Sales Services Co., Ltd.* (長沙瑞寶汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Hubei Jierui Automobile Sales Services Co., Ltd.* (湖北捷瑞汽車銷售服務有限公司)	Years ended 31 December 2007, 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Huhhot Qibao Automobile Sales Services Co., Ltd.* (呼和浩特市祺寶汽車銷售服務有限公司)	Years ended 31 December 2007 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
	Year ended 31 December 2008	Wuhan Wanli Accountant Services Co., Ltd.* registered in the PRC (武漢市萬里會計事務有限公司)
Yichang Baoze Automobile Sales Services Co., Ltd.* (宜昌寶澤汽車銷售服務有限公司)	Years ended 31 December 2007 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
	Year ended 31 December 2008	Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務有限公司)

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Name of company	Financial period	Statutory auditors
Chenzhou Ruibao Automobile Sales Services Co., Ltd.* (郴州瑞寶汽車銷售服務有限公司)	Years ended 31 December 2007 and 2009 Year ended 31 December 2008	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所) Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務有限公司)
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd.* (上海紳協紳通汽車銷售服務有限公司)	Period from 31 January 2007 (date of incorporation) to 31 December 2007 and years ended 31 December 2008 and 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Nanchang Baoze Automobile Sales Services Co., Ltd.* (南昌寶澤汽車銷售服務有限公司)	Period from 2 June 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Zhuhai Baoze Automobile Sales Services Co., Ltd.* (珠海寶澤汽車銷售服務有限公司)	Period from 27 June 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Shanghai Aohui Automobile Sales Services Co., Ltd.* (上海奧滙汽車銷售服務有限公司)	Period from 4 December 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Guangzhou Baoze Automobile Sales Co., Ltd.* (廣州寶澤汽車銷售有限公司)	Period from 20 April 2009 (date of incorporation) to 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Dongguan Jieyunhang Automobile Sales Services Co., Ltd.* (東莞捷運行汽車銷售服務有限公司)	Period from 6 July 2009 (date of incorporation) to 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)	Period from 6 August 2009 (date of incorporation) to 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)
Beijing Baozhang Automobile Sales Services Co., Ltd.* (北京寶澤行汽車銷售服務有限公司)	Period from 16 October 2009 (date of incorporation) to 31 December 2009	Hubei Weiye CPA Limited*, registered in the PRC (湖北偉業會計師事務所)

APPENDIX I**ACCOUNTANTS’ REPORT**

Name of company	Financial period	Statutory auditors
Inner Mongolia Dingze Automobile Sales Services Co., Ltd.* (內蒙古鼎澤汽車銷售服務有限公司)	Period from 27 October 2009 (date of incorporation) to 31 December 2009	Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務有限公司)
Shantou Hongxiang Materials Co., Ltd.* (汕頭市宏祥物資有限公司)	Year ended 31 December 2009	Wuhan Wanli Accountant Services Co., Ltd.*, registered in the PRC (武漢市萬里會計事務有限公司)
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)	Period from 10 November 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	AFPL & Co., registered in Hong Kong (雅栢會計師事務所)

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below, which are in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

APPENDIX I**ACCOUNTANTS’ REPORT**

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group’s combined results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 30 June 2009, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

APPENDIX I**ACCOUNTANTS’ REPORT**

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. BASIS OF PREPARATION

The Group is engaged in 4S dealership business, motor-related logistics business and lubricant oil trading business (collectively, the “Core Operations”).

During the Relevant Period, the Group’s 4S dealership businesses were conducted through various domestic companies established in the PRC (the “PRC Operating Entities”), which were ultimately owned and controlled by the same equity holder (hereinafter referred to as the “Controlling Shareholder”) through direct or indirect equity holdings in the PRC Operating Entities. As part of the Reorganisation, the Group retained control of the PRC Operating Entities and continued to obtain the economic benefits from the 4S dealership businesses by executing certain contractual agreements. On 17 November 2010, Wuhan Shengze Jietong Logistics Co., Ltd. (“Wuhan Jietong”), an indirect wholly-owned subsidiary of the Company, entered into certain agreements (the “Contractual Arrangements”) with the PRC Operating Entities and their respective equity holders. The details of the Contractual Arrangements are set out under the section headed “Contractual Arrangements” of the Document. The Contractual Arrangements, taken as a whole, enable Wuhan Jietong to have effective control over the operating and financial policies of the PRC Operating Entities and to obtain the economic benefits from the businesses of the PRC Operating Entities. The directors of the Group are of the view that, notwithstanding the lack of equity ownership, the Contractual Arrangements effectively provide Wuhan Jietong the power to govern and control the PRC Operating Entities so as to obtain benefits from their business activities. Accordingly, the PRC Operating Entities are included in the Group’s combined financial statements as controlled subsidiaries.

Pursuant to the Reorganisation completed on 17 November 2010, the Company acquired the entire equity interests in Big Glory International Limited, the intermediate holding company of the companies now comprising the Group, from the Controlling Shareholder and became the holding company of the Group. All the companies now comprising the Group (including the PRC Operating Entities) that took part in the Reorganisation were ultimately controlled by the Controlling Shareholder during the Relevant Period (or where the entity was acquired/incorporated/established at a date later than 1 January 2007, for the period from the date of acquisition/incorporation/establishment to 30 June 2010) and both before and after the Reorganisation. Since there was a continuation of the risks and benefits to the Controlling Shareholder, the Reorganisation is considered

APPENDIX I

ACCOUNTANTS’ REPORT

to be a combination of entities under common control. The Financial Information has been prepared using the merger basis of accounting as if the current Group structure had always been in existence. The net assets of the combining companies are combined using the existing book values from the Controlling Shareholder’s perspective.

During the Relevant Period, certain of the companies now comprising the Group had controlling equity interests in a number of entities which were engaged in businesses delineated from the Group’s Core Operations, which primarily included companies engaged in real estate development and sales of commercial vehicles (the “Carve-Out Entities”). The Carve-Out Entities maintain separate management personnel and accounting records. As part of the Reorganisation, the Group’s equity interests in these Carve-Out Entities were transferred to the Controlling Shareholder during the Relevant Period.

The Financial Information excludes the assets, liabilities and results of operations of the Carve-Out Entities whose businesses are, in the opinion of the directors of the Company, clearly delineated from the Core Operations of the Group and whose assets, liabilities, revenues and expenditures are clearly identifiable.

The combined statements of comprehensive income, combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Period as set out in Section B have been prepared on a combined basis and include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were acquired/incorporated/ established at a date later than 1 January 2007, for the period from the date of acquisition/ incorporation/establishment to 30 June 2010) as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 as set out in Section B have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the Reorganisation had occurred at the beginning of the Relevant Period (or where the companies were acquired/ incorporated/ established at a date later than 1 January 2007, as if the combination had occurred from the date when the companies first came under the control of the Controlling Shareholder).

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

At the date of this report, the Company, either through legal ownership or implementation of the Contractual Arrangements, has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Note	Place and date of incorporation /establishment	Registered capital/ issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Big Glory International Limited (浩榮國際有限公司)		British Virgin Islands (“BVI”) 22 June 2006	US\$100/US\$100	100%	—	Investment holding

APPENDIX I

ACCOUNTANTS’ REPORT

Name of company	Note	Place and date of incorporation / establishment	Registered capital/ issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Rising Wave Development Limited (升濤發展有限公司)		Hong Kong 21 April 2006	HK\$100/ HK\$100	—	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)		Hong Kong 10 November 2008	HK\$10,000/ HK\$10,000	—	100%	Investment holding
Wuhan Shengze Jietong Logistics Co., Ltd. (武漢聖澤捷通物流有限公司)	(i)	The PRC 22 November 2002	RMB40,000,000/ RMB40,000,000	—	100%	Provision of auto- mobile related logistic services
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)	(ii)	The PRC 21 April 1999	RMB50,000,000/ RMB50,000,000	—	100%	Automobile dealership
Shanghai Yige Science & Technology Trading Co., Ltd. (上海譯格科工貿有限公司)	(iii)	The PRC 25 September 2002	RMB15,000,000/ RMB15,000,000	—	50%	Distribution of lubricants
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎傑汽車銷售服務有限公司)	(ii)	The PRC 12 December 2002	RMB55,000,000/ RMB55,000,000	—	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎傑汽車貿易有限公司)	(ii)	The PRC 23 January 2003	RMB7,000,000/ RMB7,000,000	—	100%	Automobile dealership
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)	(ii)	The PRC 30 May 2003	RMB20,000,000/ RMB20,000,000	—	100%	Automobile dealership
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)	(ii)	The PRC 20 October 2003	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)	(ii)	The PRC 18 March 2004	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)	(ii)	The PRC 26 May 2004	RMB70,000,000/ RMB70,000,000	—	100%	Automobile dealership

APPENDIX I

ACCOUNTANTS’ REPORT

Name of company	Note	Place and date of incorporation / establishment	Registered capital/ issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)	(ii)	The PRC 18 June 2004	RMB19,000,000/ RMB19,000,000	—	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)	(ii)	The PRC 8 November 2004	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)	(ii)	The PRC 21 June 2005	RMB20,000,000/ RMB20,000,000	—	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)	(ii)	The PRC 24 June 2005	RMB22,000,000/ RMB22,000,000	—	100%	Automobile dealership
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)	(ii)	The PRC 23 February 2006	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)	(ii)	The PRC 13 June 2006	RMB8,000,000/ RMB8,000,000	—	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)	(ii)	The PRC 6 September 2006	RMB6,000,000/ RMB6,000,000	—	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)	(ii)	The PRC 31 January 2007	RMB15,000,000/ RMB15,000,000	—	100%	Automobile dealership
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)	(ii)	The PRC 2 June 2008	RMB29,000,000/ RMB29,000,000	—	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)	(ii)	The PRC 27 June 2008	RMB30,000,000/ RMB30,000,000	—	100%	Automobile dealership
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧滙汽車銷售服務有限公司)	(ii)	The PRC 4 December 2008	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership

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Name of company	Note	Place and date of incorporation / establishment	Registered capital/ issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Guangzhou Baoze Automobile Sales Co., Ltd. (廣州寶澤汽車銷售有限公司)	(ii)	The PRC 20 April 2009	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)	(ii)	The PRC 6 July 2009	RMB10,000,000/ RMB10,000,000	—	75%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)	(ii)	The PRC 6 August 2009	RMB26,000,000/ RMB26,000,000	—	70%	Automobile dealership
Beijing Baozhang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)	(ii)	The PRC 16 October 2009	RMB90,000,000/ RMB90,000,000	—	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)	(ii)	The PRC 27 October 2009	RMB20,000,000/ RMB20,000,000	—	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)	(ii)	The PRC 12 July 2000	RMB5,000,000/ RMB5,000,000	—	80%	Automobile dealership
Zhuhai Baoze Nanguo Automobile Sales Services Co., Ltd. (珠海寶澤南國汽車銷售服務有限公司)		The PRC 19 March 2010	RMB10,000,000/ RMB10,000,000	—	100%	Automobile dealership

Notes:

- (i) This entity is incorporated in the PRC as a wholly foreign-owned enterprise by Rising Wave Development Limited.
- (ii) These are PRC Operating Entities ultimately controlled by the Controlling Shareholder through Contractual Arrangements.
- (iii) This entity is considered a subsidiary of the Group because the Group has power to govern the financial and operating policies of this entity by virtue of an agreement signed with another equity holder which held 50% interest in this entity, that resulted in the Group has the power to appoint the sole director of the entity.
- (iv) Except for Big Glory International Limited, Rising Wave Development Limited and Tongda Group (China) Co., Ltd., the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

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B COMBINED FINANCIAL INFORMATION

1 COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)	
Turnover	2	2,909,186	3,045,591	4,981,174	2,045,021	3,127,922
Cost of sales		(2,733,632)	(2,825,301)	(4,566,633)	(1,892,344)	(2,838,727)
Gross profit		175,554	220,290	414,541	152,677	289,195
Other revenue	3	17,696	17,460	23,942	9,993	18,189
Other net income	3	3,522	4,466	7,182	2,660	4,996
Selling and distribution expenses		(69,850)	(84,540)	(138,337)	(60,329)	(69,177)
Administrative expenses		(51,242)	(70,702)	(82,334)	(43,415)	(57,434)
Profit from operations		75,680	86,974	224,994	61,586	185,769
Finance costs	4(a)	(23,356)	(38,546)	(31,465)	(16,320)	(21,953)
Share of profit of an associate or a jointly controlled entity		—	—	4,570	408	3,657
Gain on remeasurement of previously held equity interest in a jointly controlled entity	15	—	—	—	—	3,177
Gain on bargain purchase	15	—	—	—	—	27,266
Profit before taxation	4	52,324	48,428	198,099	45,674	197,916
Income tax	5(a)	(20,654)	(12,950)	(48,277)	(11,072)	(39,537)
Profit for the year/period		31,670	35,478	149,822	34,602	158,379
Other comprehensive income for the year/period:						
Exchange differences on translation of financial statements of foreign operations		479	1,859	62	18	343
Other comprehensive income for the year/period, net of tax		479	1,859	62	18	343
Total comprehensive income for the year/period		32,149	37,337	149,884	34,620	158,722
Profit attributable to:						
Equity holder of the Company		31,670	33,805	145,854	32,048	153,101
Non-controlling interests		—	1,673	3,968	2,554	5,278
Profit for the year/period		31,670	35,478	149,822	34,602	158,379
Total comprehensive income attributable to:						
Equity holder of the Company		32,149	35,664	145,916	32,066	153,444
Non-controlling interests		—	1,673	3,968	2,554	5,278
Total comprehensive income for the year/period		32,149	37,337	149,884	34,620	158,722
Earnings per share	9					
Basic and diluted (RMB cent)		2.1	2.3	9.7	2.1	10.2

The accompanying notes form part of the Financial Information.

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2 COMBINED BALANCE SHEETS

	Section C Note	At 31 December			At 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Fixed assets:	11				
- Investment properties		11,476	11,057	10,639	10,429
- Other property, plant and equipment		301,813	297,644	340,643	404,052
Lease prepayments	12	131,850	128,810	150,265	162,412
Intangible assets	13	363	363	363	60,095
Goodwill	14	—	—	—	16,236
Interest in an associate	15	—	—	38,677	—
Interest in a jointly controlled entity . .	15	—	—	—	113,777
Deferred tax assets	22	3,186	5,710	2,225	1,641
		<u>448,688</u>	<u>443,584</u>	<u>542,812</u>	<u>768,642</u>
Current assets					
Inventories	16	237,375	309,825	295,312	764,703
Trade and other receivables	17	247,950	398,806	598,874	539,621
Pledged bank deposits	18	188,379	234,827	894,853	1,024,241
Cash and cash equivalents	19	49,789	54,795	176,898	120,647
		<u>723,493</u>	<u>998,253</u>	<u>1,965,937</u>	<u>2,449,212</u>
Current liabilities					
Loans and borrowings	20	397,977	337,594	348,517	465,273
Trade and other payables	21	687,784	976,485	1,634,000	2,023,992
Income tax payables	5(c)	17,064	22,569	60,506	35,369
		<u>1,102,825</u>	<u>1,336,648</u>	<u>2,043,023</u>	<u>2,524,634</u>
Net current liabilities		<u>(379,332)</u>	<u>(338,395)</u>	<u>(77,086)</u>	<u>(75,422)</u>
Total assets less current liabilities . .		<u>69,356</u>	<u>105,189</u>	<u>465,726</u>	<u>693,220</u>
Non-current liabilities					
Deferred tax liabilities	22	3,957	5,422	6,061	21,317
		<u>3,957</u>	<u>5,422</u>	<u>6,061</u>	<u>21,317</u>
NET ASSETS		<u>65,399</u>	<u>99,767</u>	<u>459,665</u>	<u>671,903</u>
Equity					
Share capital	23	128,600	126,800	223,500	202,500
Reserves	24	(63,201)	(36,206)	220,524	429,365
Equity attributable to equity holder of the Company		<u>65,399</u>	<u>90,594</u>	<u>444,024</u>	<u>631,865</u>
Non-controlling interests		<u>—</u>	<u>9,173</u>	<u>15,641</u>	<u>40,038</u>
TOTAL EQUITY		<u>65,399</u>	<u>99,767</u>	<u>459,665</u>	<u>671,903</u>

The accompanying notes form part of the Financial Information.

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3 COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of the Company									
	Share capital	Capital reserves	PRC		Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
			RMB'000	statutory reserves						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 23)	(note 24(a))	(note 24(b))	(note 24(c))	(note 24(d))					
Balance at 1 January 2007	164,800	(78,473)	6,412	424	2,591	12,128	107,882	—	107,882	—
Capital reduction arising from a reorganisation	(37,000)	—	—	—	—	—	(37,000)	—	(37,000)	—
Capital injection	800	—	—	—	—	—	800	—	800	—
Distribution to equity holder of the Company	—	(45,900)	—	—	—	—	(45,900)	—	(45,900)	—
Contribution by equity holder of the Company	—	7,468	—	—	—	—	7,468	—	7,468	—
Total comprehensive income for the year	—	—	—	479	—	31,670	32,149	—	32,149	—
Appropriation to reserves	—	—	3,309	—	—	(3,309)	—	—	—	—
Balance at 31 December 2007 and 1 January 2008	128,600	(116,905)	9,721	903	2,591	40,489	65,399	—	65,399	—
Capital reduction arising from a reorganisation	(8,000)	—	—	—	—	—	(8,000)	—	(8,000)	—
Capital injection	6,200	—	—	—	—	—	6,200	—	6,200	—
Contribution by equity holder of the Company	—	7,950	—	—	—	—	7,950	—	7,950	—
Disposal of equity interests to non-controlling interests	—	(7,500)	—	—	—	—	(7,500)	7,500	—	—
Dividends	—	—	—	—	—	(9,119)	(9,119)	—	(9,119)	—
Total comprehensive income for the year	—	—	—	1,859	—	33,805	35,664	1,673	37,337	—
Appropriation to reserves	—	—	3,872	—	—	(3,872)	—	—	—	—
Balance at 31 December 2008	126,800	(116,455)	13,593	2,762	2,591	61,303	90,594	9,173	99,767	—

The accompanying notes form part of the Financial Information.

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Attributable to equity holder of the Company									
	Share capital	Capital reserves	PRC statutory reserves	Exchange reserves	Discretionary surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	126,800	(116,455)	13,593	2,762	2,591	61,303	90,594	9,173	99,767
Capital increase arising from the Reorganisation	79,200	—	—	—	—	—	79,200	—	79,200
Capital injection	17,500	—	—	—	—	—	17,500	2,500	20,000
Contribution by equity holder of the Company	—	110,814	—	—	—	—	110,814	—	110,814
Total comprehensive income for the year	—	—	—	62	—	145,854	145,916	3,968	149,884
Appropriation to reserves	—	—	11,625	—	1,000	(12,625)	—	—	—
Balance at 31 December 2009 and 1 January 2010	223,500	(5,641)	25,218	2,824	3,591	194,532	444,024	15,641	459,665
Capital reduction arising from the Reorganisation	(25,000)	—	—	—	—	—	(25,000)	—	(25,000)
Capital contribution to a subsidiary by non-controlling interests	—	2,957	—	—	—	—	2,957	9,068	12,025
Acquisition of a subsidiary through business combination (note 25).	4,000	52,440	—	—	—	—	56,440	10,051	66,491
Total comprehensive income for the period	—	—	—	343	—	153,101	153,444	5,278	158,722
Appropriation to reserves	—	—	—	—	868	(868)	—	—	—
Balance at 30 June 2010	202,500	49,756	25,218	3,167	4,459	346,765	631,865	40,038	671,903
Unaudited:									
Balance at 1 January 2009	126,800	(116,455)	13,593	2,762	2,591	61,303	90,594	9,173	99,767
Contribution by equity holder of the Company	—	1,715	—	—	—	—	1,715	—	1,715
Total comprehensive income for the period	—	—	—	18	—	32,048	32,066	2,554	34,620
Balance at 30 June 2009	126,800	(114,740)	13,593	2,780	2,591	93,351	124,375	11,727	136,102

The accompanying notes form part of the Financial Information.

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4 COMBINED CASH FLOW STATEMENTS

Section C Note	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Operating activities:					
Profit before taxation	52,324	48,428	198,099	45,674	197,916
Adjustments for:					
- Depreciation 4(c)	23,983	28,991	33,881	17,738	18,121
- Amortisation of lease prepayments 4(c)	3,040	3,040	3,040	1,507	2,311
- Net gain on disposal of investment properties 3	(2,385)	—	—	—	—
- Net gain on disposal of other property, plant and equipment 3	(542)	(3,656)	(6,411)	(2,322)	(4,498)
- Finance costs 4(a)	23,356	38,546	31,465	16,320	21,953
- Share of profit of an associate or a jointly controlled entity	—	—	(4,570)	(408)	(3,657)
- Gain on remeasurement of previously held equity interest in a jointly controlled entity 15	—	—	—	—	(3,177)
- Gain on bargain purchase 15	—	—	—	—	(27,266)
- Interest income from bank deposits 3	(2,064)	(3,037)	(5,137)	(1,833)	(3,873)
Operating profit before changes in working capital	97,712	112,312	250,367	76,676	197,830
Decrease/(increase) in inventories	8,861	(72,450)	14,513	(24,701)	(420,316)
Decrease/(increase) in trade and other receivables	(35,389)	(127,494)	(174,139)	69,339	71,493
Decrease/(increase) in pledged bank deposits	50,430	(46,448)	(660,026)	(339,944)	(75,472)
(Decrease)/increase in trade and other payables	(54,573)	118,350	848,695	331,687	139,570
Cash generated from/(used in) operations	67,041	(15,730)	279,410	113,057	(86,895)
Income tax paid 5(c)	(10,541)	(8,504)	(6,216)	(4,617)	(65,548)
Net cash generated from/(used in) operating activities	56,500	(24,234)	273,194	108,440	(152,443)

The accompanying notes form part of the Financial Information.

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Section C Note	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)
Investing activities:					
Payment for purchase of other property, plant and equipment	(70,848)	(35,964)	(95,998)	(32,713)	(68,529)
Proceeds from disposal of other property, plant and equipment	7,544	15,217	25,947	8,965	10,419
Proceeds from disposal of investment properties	5,113	—	—	—	—
Payment for purchase of lease prepayments	—	—	(24,495)	—	(2,433)
Acquisition of an associate	—	—	(34,107)	(34,107)	—
Net cash assumed in acquisition of a subsidiary 25	—	—	—	—	2,662
Advances to related parties	(24,820)	(33,362)	(52,651)	(8,937)	(464)
Repayment of advances to related parties	8,819	10,000	26,722	3,354	19,405
Interest received	2,064	3,037	5,137	1,833	3,873
Net cash used in investing activities	(72,128)	(41,072)	(149,445)	(61,605)	(35,067)
Financing activities:					
Proceeds from loans and borrowings	767,000	829,702	1,468,439	507,884	719,952
Repayment of loans and borrowings	(588,505)	(890,085)	(1,457,516)	(484,063)	(603,196)
Advances from related parties	19,284	205,004	13,082	2,658	52,256
Repayment of advances from related parties	(106,055)	(26,598)	(14,248)	(5,131)	(11,143)
Distribution to equity holder of the Company	(37,795)	(8,105)	—	—	(5,000)
Capital injection from equity holder of the Company	800	6,200	17,500	—	—
Capital injection from non-controlling interests	—	—	2,500	—	—
Dividends paid 8	—	(9,119)	—	—	—
Interest paid	(23,356)	(38,546)	(31,465)	(16,320)	(21,953)
Net cash generated from/(used in) financing activities	31,373	68,453	(1,708)	5,028	130,916

The accompanying notes form part of the Financial Information.

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	Section C Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(Unaudited)
Net increase/(decrease) in cash and cash equivalents		15,745	3,147	122,041	51,863	(56,594)
Cash and cash equivalents at beginning of the year /period		33,565	49,789	54,795	54,795	176,898
Effect of foreign exchange rate changes		479	1,859	62	18	343
Cash and cash equivalents at end of the year/period	19	<u>49,789</u>	<u>54,795</u>	<u>176,898</u>	<u>106,676</u>	<u>120,647</u>
Supplemental disclosure of material non-cash transactions:						
Distribution to equity holder of the Company		<u>(29,532)</u>	<u>(50)</u>	<u>—</u>	<u>—</u>	<u>(20,000)</u>
Contribution by equity holder of the Company		<u>—</u>	<u>—</u>	<u>190,014</u>	<u>1,715</u>	<u>53,778</u>
Land use rights contributed by non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,025</u>

The accompanying notes form part of the Financial Information.

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C NOTES TO COMBINED FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes Hong Kong Accounting Standards (“HKASs”) and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting year ending 31 December 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ending 31 December 2010 are set out in note 31.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2009 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation of the Financial Information*(i) Basis of preparation and presentation*

The Financial Information comprises the Company and its subsidiaries (together referred to as the “Group”) and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(ii) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, except for earnings per share information. It is prepared on the historical cost basis.

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(iii) *Going concern*

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2007, 2008 and 2009 and 30 June 2010. The directors are of the opinion that, based on the detailed review of the working capital forecast of the Group for the year ending 31 December 2011, of the anticipated ability of the Group to obtain continued bank financing to finance its continuing operation, and of the estimated net proceeds from the [●], the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

(iv) *Use of estimates and judgements*

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 30.

(c) **Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets

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acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The Group measures non-controlling interests at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity holders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still remains control, this transaction will be accounted for as a transaction with equity holders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests represent the portion of the net assets of subsidiaries attribute to interests that are not owned by the Group, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. Non-controlling interests are presented in the combined balance sheets within equity, separately from equity attributable to the equity holder of the Company. Non-controlling interests in the result of the Group are presented on the face of the combined statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity holder of the Company.

Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within combined equity being attributed to the non-controlling interests.

(d) Business combinations involving entities under common control

The combined financial statements incorporate 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 Shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective Controlling Shareholder’s financial statements.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

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The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the combined financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group’s share of the investee’s net assets and any impairment loss relating to the investment (see notes 1(f) and 1(k)). The Group’s share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group’s share of the post-acquisition post-tax items of the investees’ other comprehensive income is recognised in the other comprehensive income.

If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired.

When the Group’s share of losses exceeds its interest in the associate or the jointly controlled entity, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method together with the Group’s long-term interests that in substance form part of the Group’s net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group’s interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

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Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(k)).

Any excess of the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash-generating unit or an associate or a jointly controlled entity during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(k)). Depreciation is calculated to write off the cost of an item of investment property, less the estimated residual value, if any, using the straight line method over 30 years. Both the useful life of an investment property and its residual value, if any, are reviewed annually. Rental income from investment properties is accounted for as described in note 1(t).

Gains or losses arising from the disposal of an item of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of disposal.

(h) Other property, plant and equipment

Other property, plant and equipment, other than construction in progress, are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30-40 years after the date of completion.
- Leasehold improvements	Over the shorter of the unexpired term of the lease and 5 years
- Plant and machinery	10 years
- Motor vehicles	5 years
- Office equipment and furniture	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditures relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. Any other subsequent expenditure is recognised in profit or loss as an expense as incurred.

Construction in progress is stated at cost less impairment losses (see note 1(k)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to other property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the combined balance sheets at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets’ estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years.

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Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Lease prepayments

Lease prepayments represent the cost of acquiring land use rights paid to the PRC’s governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 1(k)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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If any event or change in circumstances indicates that the carrying amount may not be recoverable, an impairment loss is determined and recognised as follows:

For trade and other receivable carried at cost or amortised cost, the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset’s carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using a provision account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the provision account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the provision account are reversed against the provision account. Other changes in the provision account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties;
- other property, plant and equipment;
- lease prepayments;
- intangible assets;
- investments in associates and jointly controlled entities; and
- goodwill.

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If any such indication exists, the asset’s recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(1) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average 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 necessary to make the sale.

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When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expenses in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

The Group derecognises trade and other receivables when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on trade and other receivables in a transaction in which substantially all the risks and rewards of ownership of trade and other receivables are transferred.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Interest-bearing borrowings are derecognised when the Group’s contractual obligations are discharged, cancelled or expire.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Trade and other payables are derecognised when the Group’s contractual obligations are discharged, cancelled or expire.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into

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known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group’s cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

(q) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, and cost of non-monetary benefits are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution retirement plan

Obligations for contributions to PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense as incurred.

(r) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when

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determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Sales of motor spare parts

Revenue arising from the sale of motor spare parts is recognised when significant risks and rewards of ownership have been transferred to the buyers.

(iii) Maintenance services income

Revenue arising from maintenance services is recognised when the relevant service is rendered without further performance obligations.

(iv) Logistics services income and other related services income

Revenue arising from logistics services and other related services is recognised when the service is rendered to customers.

(v) Sales of lubricant oil

Revenue arising from the sales of lubricant oil is recognised when lubricant oil is delivered at the customers’ premises.

(vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

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(vii) *Commission income*

Commission income is recognised at the time when the services concerned are rendered to customers.

(viii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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(w) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group’s parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The segment information is reported to the chief executive officer of the Company, who is the Group’s chief operating decision maker for the purpose of resource allocation and assessment of performance.

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2 TURNOVER

The Group is mainly engaged in sales of passenger automobile, motor spare parts, provision of maintenance services, provision of logistics services and sales of lubricant oil. Turnover represents the sales of goods and services income rendered to customers.

The amount of each significant category of turnover recognised in the Relevant Period is as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Sales of motor vehicles	2,650,626	2,661,829	4,270,453	1,723,129	2,684,616
Sales of motor spare parts	41,366	51,960	68,028	28,544	51,139
Provision of maintenance services . . .	164,398	215,834	312,420	138,154	191,779
Provision of logistics services	52,796	83,652	128,447	62,750	73,777
Sales of lubricant oil	—	32,316	201,826	92,444	126,611
	<u>2,909,186</u>	<u>3,045,591</u>	<u>4,981,174</u>	<u>2,045,021</u>	<u>3,127,922</u>

3 OTHER REVENUE AND NET INCOME

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Other revenue:					
Commission income	14,029	12,383	17,488	7,434	13,229
Interest income from bank deposits . . .	2,064	3,037	5,137	1,833	3,873
Rental income	1,489	1,819	1,186	655	431
Others	114	221	131	71	656
	<u>17,696</u>	<u>17,460</u>	<u>23,942</u>	<u>9,993</u>	<u>18,189</u>
Other net income:					
Net gain on disposal of investment properties	2,385	—	—	—	—
Net gain on disposal of other property, plant and equipment	542	3,656	6,411	2,322	4,498
Others	595	810	771	338	498
	<u>3,522</u>	<u>4,466</u>	<u>7,182</u>	<u>2,660</u>	<u>4,996</u>

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4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)
(a) Finance costs:					
Interest on loans and borrowings wholly repayable within 5 years	16,857	22,375	16,398	9,594	8,534
Other finance costs (i)	6,499	16,171	15,067	6,726	13,419
	<u>23,356</u>	<u>38,546</u>	<u>31,465</u>	<u>16,320</u>	<u>21,953</u>
(b) Staff costs:					
Salaries, wages and other benefits	40,298	51,523	72,772	31,363	50,530
Contributions to defined contribution retirement plan (ii)	2,394	3,446	4,407	2,002	2,850
	<u>42,692</u>	<u>54,969</u>	<u>77,179</u>	<u>33,365</u>	<u>53,380</u>

- (i) It mainly represents the interest expenses arising from discount of bills.
- (ii) Employees of the Group’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group’s PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

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	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
(c) Other items:					
Cost of inventories	2,684,108	2,742,018	4,447,967	1,834,640	2,773,446
Depreciation	23,983	28,991	33,881	17,738	18,121
Amortisation of lease prepayments	3,040	3,040	3,040	1,507	2,311
Operating lease charges	8,821	8,588	12,137	6,055	7,948
Rental receivables from investment properties less direct outgoings	(477)	(477)	(238)	(204)	—
Auditors’ remuneration	168	206	230	115	188

5 INCOME TAX

(a) Income tax in the combined statements of comprehensive income represents:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Current tax:					
Provision for PRC income tax for the year/period	20,975	14,009	44,153	11,683	38,859
Deferred tax:					
Effect of change in tax rate	1,209	—	—	—	—
(Origination)/reversal of temporary differences (note 22)	(1,530)	(1,059)	4,124	(611)	678
	<u>20,654</u>	<u>12,950</u>	<u>48,277</u>	<u>11,072</u>	<u>39,537</u>

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

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- (ii) No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) Prior to 1 January 2008, the PRC’s statutory income tax rate was 33%. However, the rate may vary depending on the location of tax registration and operations in the PRC, as well as qualification for certain tax classifications and holidays. Wuhan Jietong, as a qualified production-oriented foreign invested enterprise (“FIE”), was entitled to a 2-year full exemption followed by a 3-year 50% exemption tax holiday effective from 1 January 2007. Huhhot Qibao Automobile Sales and Service Co., Ltd. (“Huhhot Qibao”) was exempted from PRC corporate income tax for 2007 as it was operated in a designated area with preferential tax policies.
- (iv) On 16 March 2007, the PRC government enacted the new Enterprise Income Tax law (“new EIT law”), which unified the income tax rate to 25% for all companies. The new EIT law was effective as of 1 January 2008. The new EIT law and its relevant regulations provide a 5-year transition period from its effective date for those companies which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations, as well as grandfathering certain tax holidays. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

The Group’s PRC subsidiaries (including the PRC Operating Entities under the Contractual Arrangements) are subject to income tax at 25% from 2008 onwards, except for Wuhan Jietong, which was exempted from income tax for 2007 and 2008, and is subject to income tax at 12.5% for the three years from 2009 to 2011. Thereafter, it will be subject to the unified tax rate of 25%.

- (v) The new EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. 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%.

On 27 October 2009, the State Administration of Taxation issued Guoshuihan [2009] No. 601 on “How to understand and recognise the “Beneficial Owner” in Double Taxation Agreements” (“Circular 601”). Circular 601 clarifies the general rules and the onus of proof in determining whether a tax relief applicant qualifies as a “beneficial owner”. Pursuant to Circular 601, a beneficial owner under a tax treaty is determined not purely by its place of legal registration but also by other factors which are depending on the specific facts and circumstances and significant judgment may be involved.

The Group’s subsidiaries in the PRC are directly or indirectly held by the Group’s intermediate holding company, Rising Wave Development Limited (“Rising Wave”), a Hong Kong tax resident.

As of 30 June 2010, the Group has not provided for income taxes on accumulated earnings generated by its PRC entities for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 amounting RMB 284,993,000, because it is probable that such accumulated earnings will not be distributed to the holding company outside the PRC in the foreseeable future.

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(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before taxation	<u>52,324</u>	<u>48,428</u>	<u>198,099</u>	<u>45,674</u>	<u>197,916</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	17,267	12,107	49,525	11,418	49,479
Non-deductible expenses	4,594	1,276	514	233	251
Effect of tax concessions	(3,252)	—	(1,556)	(769)	(1,225)
Non-taxable income on:					
- Share of profits recognised under the equity method	—	—	(1,143)	(102)	(914)
- Gain on remeasurement of previously held equity interest in a jointly controlled entity	—	—	—	—	(794)
- Gain on bargain purchase	—	—	—	—	(6,817)
Effect of change in tax rate	1,209	—	—	—	—
Others	<u>836</u>	<u>(433)</u>	<u>937</u>	<u>292</u>	<u>(443)</u>
Income tax	<u>20,654</u>	<u>12,950</u>	<u>48,277</u>	<u>11,072</u>	<u>39,537</u>

(c) Income tax payables in the combined balance sheets represent:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Balance at beginning of the year/period	6,630	17,064	22,569	22,569	60,506
Acquisition of a subsidiary through business combination (note 25)	—	—	—	—	1,552
Provision for current income tax for the year/period	20,975	14,009	44,153	11,683	38,859
Payment during the year/period	<u>(10,541)</u>	<u>(8,504)</u>	<u>(6,216)</u>	<u>(4,617)</u>	<u>(65,548)</u>
Income tax payables at the end of the year/period	<u>17,064</u>	<u>22,569</u>	<u>60,506</u>	<u>29,635</u>	<u>35,369</u>

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6 DIRECTORS’ REMUNERATION

Directors’ remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2007

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Wang Kunpeng	—	108	—	—	108
Li Zhubo	—	108	—	11	119
Cao Limin	—	120	—	11	131
Liu Dongli	—	—	—	—	—
Non-executive directors					
Wang Muqing	—	—	—	—	—
Chen Tao	—	—	—	—	—
	—	336	—	22	358

Year ended 31 December 2008

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Wang Kunpeng	—	108	—	—	108
Li Zhubo	—	108	—	11	119
Cao Limin	—	120	—	11	131
Liu Dongli	—	—	—	—	—
Non-executive directors					
Wang Muqing	—	—	—	—	—
Chen Tao	—	—	—	—	—
	—	336	—	22	358

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Year ended 31 December 2009

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Wang Kunpeng	—	108	—	—	108
Li Zhubo	—	108	—	13	121
Cao Limin	—	120	—	13	133
Liu Dongli	—	54	—	19	73
Non-executive directors					
Wang Muqing	—	—	—	—	—
Chen Tao	—	—	—	—	—
	—	390	—	45	435

Six months ended 30 June 2009 (Unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Wang Kunpeng	—	54	—	—	54
Li Zhubo	—	54	—	7	61
Cao Limin	—	60	—	7	67
Liu Dongli	—	—	—	—	—
Non-executive directors					
Wang Muqing	—	—	—	—	—
Chen Tao	—	—	—	—	—
	—	168	—	14	182

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Six months ended 30 June 2010

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Wang Kunpeng	—	90	—	1	91
Li Zhubo	—	54	—	8	62
Cao Limin	—	90	—	8	98
Liu Dongli	—	54	—	19	73
	<u>—</u>	<u>288</u>	<u>—</u>	<u>36</u>	<u>324</u>
Non-executive directors					
Wang Muqing	—	—	—	—	—
Chen Tao	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

No directors of the Company waived or agreed to waive any remuneration during the Relevant Period. No remuneration was paid to independent non-executive directors during the Relevant Period as the independent non-executive directors have not been appointed during the Relevant Period.

During the Relevant Period, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office.

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7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group during the Relevant Period, none of them are directors of the Company. The aggregate of the emoluments in respect of five highest paid individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Salaries, allowance and benefits in kind	322	520	485	222	360
Discretionary bonuses	218	421	1,113	297	567
Contributions to retirement benefit schemes	41	33	41	19	25
	<u>581</u>	<u>974</u>	<u>1,639</u>	<u>538</u>	<u>952</u>

(Unaudited)

The above individuals’ emoluments are within the band of Nil to RMB1,000,000.

8 DIVIDENDS

Dividends for the Relevant Period represent dividends declared by subsidiaries to their then equity holders:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Dividends declared and approved during the year/period:					
Shanghai Yige Science & Technology Trading Co., Ltd. (“Shanghai Yige”)	<u>—</u>	<u>9,119</u>	<u>—</u>	<u>—</u>	<u>—</u>

Dividends of RMB9,119,000 were declared by Shanghai Yige in 2008 to Hubei Shengze Industry Co., Ltd. (“Hubei Shengze”) and Inner Mongolia Huadun Automobile Trading Co., Ltd., the then equity shareholders.

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The directors consider that the dividends declared during the Relevant Period are not indicative of the future dividend policy of the Group.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to equity holder of the Company for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 and the 1,500,000,000 shares in issue and issuable, comprising 100,000,000 shares in issue and 1,400,000,000 shares to be issued pursuant to the capitalisation issue as of the document date, as detailed in the section headed “SHARE CAPITAL” in the Document, as if the shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted earnings per share are equivalent to basic earnings per share.

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

1 4S dealership business

4S dealership business mainly includes sales of motor vehicles, motor spare parts and provision of maintenance services through the Group’s network of 4S dealerships in the PRC.

2 Logistics business

Logistics business mainly includes provision of motor-related logistics services.

3 Lubricant oil business

Lubricant oil business mainly includes trading of lubricant oil.

As neither of logistics business nor lubricant oil business has exceeded the quantitative threshold for determining a reportable segment, they are grouped together to form one reportable segment. Consequently, the Group has two reportable segments, namely “4S dealership business” and “Logistics and lubricant oil businesses”.

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(a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group’s chief operating decision maker (“CODM”) monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.
- The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group’s earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other revenue, other net income and finance cost.
- Segment assets include all current and non-current assets with the exception of investment properties, intangible assets, goodwill, deferred tax assets, unallocated head office assets and non-trade receivables due from related parties. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities, unallocated head office liabilities and non-trade payables due to related parties.
- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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	4S dealership business					Logistics and lubricant oil businesses					Total			
	Years ended 31 December		Six months ended 30 June			Years ended 31 December		Six months ended 30 June			Years ended 31 December		Six months ended 30 June	
	2007	2008	2009	2010	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
														(Unaudited)
Turnover from external customers	2,856,390	2,929,623	4,650,901	1,889,827	2,927,534	52,796	115,968	330,273	155,194	200,388	2,909,186	3,045,591	4,981,174	2,045,021
Inter-segment turnover	—	—	—	—	—	—	133	2,250	36	1,635	—	133	2,250	36
Reportable segment turnover	2,856,390	2,929,623	4,650,901	1,889,827	2,927,534	52,796	116,101	332,523	155,230	202,023	2,909,186	3,045,724	4,983,424	2,045,057
Reportable segment profit	51,714	60,905	170,790	35,827	136,650	3,120	4,569	28,223	13,745	60,314	54,834	65,474	199,013	49,572
Depreciation and amortisation for the year/period	20,808	25,652	32,853	16,763	18,052	6,215	6,379	4,068	2,482	2,380	27,023	32,031	36,921	19,245
Reportable segment assets	1,011,676	1,233,022	2,230,148	1,549,701	2,793,473	160,862	167,075	182,941	252,693	311,223	1,172,538	1,400,097	2,413,089	1,802,394
Additions to non-current segment assets during the year/period	64,692	35,406	119,445	32,592	89,643	6,156	558	1,048	121	12,056	70,848	35,964	120,493	32,713
Reportable segment liabilities	(838,162)	(857,248)	(1,655,906)	(1,295,518)	(2,128,059)	(42,201)	(31,586)	(84,949)	(83,682)	(108,421)	(880,363)	(888,834)	(1,740,855)	(1,379,200)
Interest in an associate	—	—	—	—	—	—	—	38,677	34,515	—	—	—	38,677	34,515
Interest in a jointly controlled entity	—	—	—	—	—	—	—	—	—	113,777	—	—	—	—

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(b) *Reconciliations of reportable segment turnover, profit before taxation, assets and liabilities*

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Turnover:					
Reportable segment turnover	2,909,186	3,045,724	4,983,424	2,045,057	3,129,557
Elimination of inter-segment turnover	—	(133)	(2,250)	(36)	(1,635)
Combined turnover	<u>2,909,186</u>	<u>3,045,591</u>	<u>4,981,174</u>	<u>2,045,021</u>	<u>3,127,922</u>
Profit before taxation:					
Reportable segment profit	54,834	65,474	199,013	49,572	196,964
Unallocated head office income and expenses	(372)	(426)	(573)	(231)	(280)
Other revenue	17,696	17,460	23,942	9,993	18,189
Other net income	3,522	4,466	7,182	2,660	4,996
Finance costs	(23,356)	(38,546)	(31,465)	(16,320)	(21,953)
Combined profit before taxation	<u>52,324</u>	<u>48,428</u>	<u>198,099</u>	<u>45,674</u>	<u>197,916</u>

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Assets:				
Reportable segment assets	1,172,538	1,400,097	2,413,089	3,104,696
Receivables due from related parties	31,546	25,103	96,722	32,812
Deferred tax assets	3,186	5,710	2,225	1,641
Investment properties	11,476	11,057	10,639	10,429
Intangible assets	363	363	363	60,095
Goodwill	—	—	—	16,236
Unallocated head office assets	531	218	1,421	3,075
Elimination of inter-segment receivables	(47,459)	(711)	(15,710)	(11,130)
Combined total assets	<u>1,172,181</u>	<u>1,441,837</u>	<u>2,508,749</u>	<u>3,217,854</u>
Liabilities:				
Reportable segment liabilities	(880,363)	(888,834)	(1,740,855)	(2,236,480)
Payables due to related parties	(230,178)	(388,757)	(215,133)	(221,572)
Income tax payables	(17,064)	(22,569)	(60,506)	(35,369)
Deferred tax liabilities	(3,957)	(5,422)	(6,061)	(21,317)
Unallocated head office liabilities	(22,679)	(37,199)	(42,239)	(42,343)
Elimination of inter-segment payables	47,459	711	15,710	11,130
Combined total liabilities	<u>(1,106,782)</u>	<u>(1,342,070)</u>	<u>(2,049,084)</u>	<u>(2,545,951)</u>

(c) **Geographic information**

As the Group solely operates in the PRC, no geographical segment information has been presented.

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11 FIXED ASSETS

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment and furniture</u>	<u>Construction in progress</u>	<u>Sub-total</u>	<u>Investment properties</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Cost:</i>									
At 1 January 2007	195,706	2,655	27,630	39,219	21,293	12,558	299,061	16,344	315,405
Additions	14,480	5,938	4,433	29,030	6,723	10,244	70,848	—	70,848
Transfer	19,520	—	3,085	—	—	(22,605)	—	—	—
Disposals	—	(550)	(10)	(8,740)	(63)	—	(9,363)	(3,124)	(12,487)
At 31 December 2007	229,706	8,043	35,138	59,509	27,953	197	360,546	13,220	373,766
At 1 January 2008	229,706	8,043	35,138	59,509	27,953	197	360,546	13,220	373,766
Additions	2,130	3,510	2,649	21,750	2,678	3,247	35,964	—	35,964
Transfer	184	—	952	—	—	(1,136)	—	—	—
Disposals	—	—	(85)	(14,572)	(181)	—	(14,838)	—	(14,838)
At 31 December 2008	232,020	11,553	38,654	66,687	30,450	2,308	381,672	13,220	394,892
At 1 January 2009	232,020	11,553	38,654	66,687	30,450	2,308	381,672	13,220	394,892
Additions	2,114	10,914	11,504	21,446	4,775	45,245	95,998	—	95,998
Transfer	1,862	—	346	—	—	(2,208)	—	—	—
Disposals	—	—	(116)	(29,364)	(231)	—	(29,711)	—	(29,711)
At 31 December 2009	235,996	22,467	50,388	58,769	34,994	45,345	447,959	13,220	461,179
At 1 January 2010	235,996	22,467	50,388	58,769	34,994	45,345	447,959	13,220	461,179
Acquisition of a subsidiary through business combination (note 25)	6,100	—	267	1,213	624	—	8,204	—	8,204
Additions	11,293	1,196	15,855	23,822	5,378	21,493	79,037	—	79,037
Transfer	45,984	—	25	2,663	—	(48,672)	—	—	—
Disposals	—	—	(68)	(8,869)	(144)	—	(9,081)	—	(9,081)
At 30 June 2010	299,373	23,663	66,467	77,598	40,852	18,166	526,119	13,220	539,339

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	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment and furniture	Construction in progress	Sub-total	Investment properties	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>Accumulated depreciation:</i>									
At 1 January 2007	12,396	502	4,795	12,611	7,307	—	37,611	1,640	39,251
Charge for the year	6,290	935	3,009	8,706	4,543	—	23,483	500	23,983
Written back on disposals	—	(550)	(5)	(1,778)	(28)	—	(2,361)	(396)	(2,757)
At 31 December 2007	<u>18,686</u>	<u>887</u>	<u>7,799</u>	<u>19,539</u>	<u>11,822</u>	<u>—</u>	<u>58,733</u>	<u>1,744</u>	<u>60,477</u>
At 1 January 2008	18,686	887	7,799	19,539	11,822	—	58,733	1,744	60,477
Charge for the year	6,720	1,964	3,459	11,170	5,259	—	28,572	419	28,991
Written back on disposals	—	—	(37)	(3,115)	(125)	—	(3,277)	—	(3,277)
At 31 December 2008	<u>25,406</u>	<u>2,851</u>	<u>11,221</u>	<u>27,594</u>	<u>16,956</u>	<u>—</u>	<u>84,028</u>	<u>2,163</u>	<u>86,191</u>
At 1 January 2009	25,406	2,851	11,221	27,594	16,956	—	84,028	2,163	86,191
Charge for the year	7,017	5,703	4,298	11,413	5,032	—	33,463	418	33,881
Written back on disposals	—	—	(43)	(9,933)	(199)	—	(10,175)	—	(10,175)
At 31 December 2009	<u>32,423</u>	<u>8,554</u>	<u>15,476</u>	<u>29,074</u>	<u>21,789</u>	<u>—</u>	<u>107,316</u>	<u>2,581</u>	<u>109,897</u>
At 1 January 2010	32,423	8,554	15,476	29,074	21,789	—	107,316	2,581	109,897
Charge for the period	5,208	2,750	2,692	4,750	2,511	—	17,911	210	18,121
Written back on disposals	—	—	(39)	(2,996)	(125)	—	(3,160)	—	(3,160)
At 30 June 2010	<u>37,631</u>	<u>11,304</u>	<u>18,129</u>	<u>30,828</u>	<u>24,175</u>	<u>—</u>	<u>122,067</u>	<u>2,791</u>	<u>124,858</u>
<i>Net book value:</i>									
At 31 December 2007	<u>211,020</u>	<u>7,156</u>	<u>27,339</u>	<u>39,970</u>	<u>16,131</u>	<u>197</u>	<u>301,813</u>	<u>11,476</u>	<u>313,289</u>
At 31 December 2008	<u>206,614</u>	<u>8,702</u>	<u>27,433</u>	<u>39,093</u>	<u>13,494</u>	<u>2,308</u>	<u>297,644</u>	<u>11,057</u>	<u>308,701</u>
At 31 December 2009	<u>203,573</u>	<u>13,913</u>	<u>34,912</u>	<u>29,695</u>	<u>13,205</u>	<u>45,345</u>	<u>340,643</u>	<u>10,639</u>	<u>351,282</u>
At 30 June 2010	<u>261,742</u>	<u>12,359</u>	<u>48,338</u>	<u>46,770</u>	<u>16,677</u>	<u>18,166</u>	<u>404,052</u>	<u>10,429</u>	<u>414,481</u>

- (a) The Group’s investment properties and other property, plant and equipment are located in the PRC.
- (b) Investment properties with carrying amount of RMB11,476,000, RMB11,057,000, RMB10,639,000 and RMB10,429,000 are pledged against bank loans (see note 20) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.
- (c) Other property, plant and equipment with carrying amount of RMB4,976,000, RMB4,819,000, RMB4,661,000 and RMB4,582,000 are pledged against bank loans (see note 20) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.
- (d) Other property, plant and equipment with carrying amount of RMB139,343,000, RMB134,643,000, RMB129,944,000 and RMB127,242,000 are pledged against bank loans granted to related parties (see note 29(d)) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

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- (e) The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB12,361,820, RMB12,065,030, RMB17,748,422 and RMB57,492,187 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.
- (f) The Group applied cost model for investment properties. Fair value of the investment properties as at 31 December 2007, 2008 and 2009 and 30 June 2010 amount to RMB26,646,000, RMB26,636,000, RMB30,322,000, and RMB30,322,000, respectively, based on valuation by an independent valuer, Hanhua Assets Valuation (Shanghai) Co., Ltd., on an open market value basis by making reference to comparable market transactions.
- (g) The Group leased out investment properties and other property, plant and equipment under operating leases. The lease typically runs for an initial period of 1-3 years. None of the leases include contingent rentals.

The Group’s total minimum lease receipts under non-cancellable operating leases are receivable as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year	3,618	3,036	1,368	775
Over 1 year but within 5 years	294	—	—	—
	<u>3,912</u>	<u>3,036</u>	<u>1,368</u>	<u>775</u>

12 LEASE PREPAYMENTS

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Cost:				
At 1 January	139,874	139,874	139,874	164,369
Additions	—	—	24,495	14,458
At 31 December/30 June	<u>139,874</u>	<u>139,874</u>	<u>164,369</u>	<u>178,827</u>
Accumulated amortisation:				
At 1 January	(4,984)	(8,024)	(11,064)	(14,104)
Charge for the year/period	<u>(3,040)</u>	<u>(3,040)</u>	<u>(3,040)</u>	<u>(2,311)</u>
At 31 December/30 June	<u>(8,024)</u>	<u>(11,064)</u>	<u>(14,104)</u>	<u>(16,415)</u>
Net book value:				
At 31 December/30 June	<u>131,850</u>	<u>128,810</u>	<u>150,265</u>	<u>162,412</u>

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 37 to 50 years when granted.

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Lease prepayments with carrying amount of RMB5,512,000, RMB5,374,000, RMB8,631,000 and RMB4,998,000 are pledged against bank loans (see note 20) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Lease prepayments with carrying amount of RMB112,850,000, RMB109,834,000, RMB106,818,000 and RMB105,138,000 are pledged against bank loans granted to related parties (see note 29(d)) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

13 INTANGIBLE ASSETS

	<u>Car dealership</u>	<u>Club debenture</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000
<i>Cost/Net book value:</i>			
At 1 January 2007, and 31 December 2007, 2008 and 2009	—	363	363
Acquisition of a subsidiary through business combination (note 25)	<u>59,732</u>	<u>—</u>	<u>59,732</u>
At 30 June 2010	<u>59,732</u>	<u>363</u>	<u>60,095</u>

The Group’s identifiable intangible assets include a car dealership in the PRC, arising from the relationship with an automobile manufacturer, with an estimated useful life of 20 years. The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

14 GOODWILL

	RMB’000
<i>Cost/Net book value:</i>	
At 1 January 2007, and 31 December 2007, 2008 and 2009	—
Acquisition of a subsidiary through business combination (note 25)	<u>16,236</u>
At 30 June 2010	<u>16,236</u>

The goodwill arose from the business combination of Shantou Hongxiang Materials Co., Ltd. (“Shantou Hongxiang”) on 28 June 2010 (see note 25).

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15 INTEREST IN AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY

Interest in an associate

In June 2009, the Group acquired a 20% equity interest in Guangzhou Fengshen Logistics Co., Ltd. (廣州風神物流有限公司) (“Guangzhou Fengshen”), a Sino-foreign joint venture principally engaged in automobile related logistics services, from an independent third party for a consideration of RMB34,107,000 and accounted for it as an associate.

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Share of net assets	—	—	37,716	—
Goodwill	—	—	961	—
	—	—	38,677	—
	<u>—</u>	<u>—</u>	<u>38,677</u>	<u>—</u>

Interest in a jointly controlled entity

In June 2010, the Group acquired another 30% equity interest in Guangzhou Fengshen from an independent third party for a consideration of RMB41,000,000. After that, Guangzhou Fengshen is 50% held by the Group and the other 50% held by a third party, which is under the joint control of the two equity holders. Therefore, the Group accounted for Guangzhou Fengshen as a jointly controlled entity and the original 20% equity interest in Guangzhou Fengshen is treated as if being disposed of, recognising a gain on remeasurement of RMB3,177,000 in the combined statements of comprehensive income, and re-acquired at fair value. As a result, the Group recorded a gain on bargain purchase amounted to RMB27,266,000. The directors are of the view that the gain is mainly because the seller wish to withdraw from the investment in Guangzhou Fengshen.

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Share of net assets	—	—	—	113,777
	<u>—</u>	<u>—</u>	<u>—</u>	<u>113,777</u>

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At 31 December 2009 and 30 June 2010, the particulars of Guangzhou Fengshen are as follows:

Name of the investee	Form of business structure	Place of establishment	At	Proportion of ownership interest			Principal activities
				Particulars of issued and paid up capital	Group’s effective interest	held by a subsidiary	
Guangzhou Fengshen	Incorporated	The PRC	31 December 2009	RMB20,000,000	20%	20%	Provision of automobile related logistic services
			30 June 2010	RMB60,000,000	50%	50%	

Summary financial information on Guangzhou Fengshen

	Assets	Liabilities	Equity	Revenue	Profit
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
31 December 2009					
100 per cent	325,970	137,390	188,580	478,880	36,385
Group’s effective interest.	<u>65,194</u>	<u>27,478</u>	<u>37,716</u>	<u>61,992</u>	<u>4,570</u>
30 June 2010					
100 per cent	374,484	146,930	227,554	262,948	18,285
Group’s effective interest.	<u>187,242</u>	<u>73,465</u>	<u>113,777</u>	<u>52,590</u>	<u>3,657</u>

16 INVENTORIES

(a) *Inventories in the combined balance sheets comprise:*

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Motor vehicles	207,521	275,428	249,482	704,421
Automobile spare parts	27,668	32,093	43,002	56,527
Others	<u>2,186</u>	<u>2,304</u>	<u>2,828</u>	<u>3,755</u>
	<u>237,375</u>	<u>309,825</u>	<u>295,312</u>	<u>764,703</u>

No inventory provision was made as at 31 December 2007, 2008 and 2009 and 30 June 2010. The inventories as at 31 December 2007, 2008 and 2009 and 30 June 2010 were stated at cost.

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(b) *The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:*

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Carrying amount of inventories sold	<u>2,684,108</u>	<u>2,742,018</u>	<u>4,447,967</u>	<u>2,773,446</u>

Inventories with carrying amount of RMB107,777,000, RMB142,486,000, RMB166,004,000 and RMB462,516,000 have been pledged as security for the bills payable (see note 21) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Inventories with carrying amount of RMB12,794,000, RMB22,095,000, RMB12,488,000, and RMB37,766,000 have been pledged as security for loans and borrowings from other financial institutions (see note 20) as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

17 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	56,859	83,778	69,565	76,839
Bills receivable	<u>183</u>	<u>837</u>	<u>4,318</u>	<u>5,726</u>
	57,042	84,615	73,883	82,565
Prepayments	73,329	153,633	251,504	264,262
Other receivables and deposits	<u>86,033</u>	<u>135,455</u>	<u>176,765</u>	<u>159,982</u>
Receivables due from third parties	216,404	373,703	502,152	506,809
Receivables due from related parties (note 29(c))	<u>31,546</u>	<u>25,103</u>	<u>96,722</u>	<u>32,812</u>
Trade and other receivables	<u>247,950</u>	<u>398,806</u>	<u>598,874</u>	<u>539,621</u>

Apart from certain deposits with a carrying amount of RMB3,310,000, RMB16,363,000, RMB15,583,000 and RMB16,001,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, all of the trade and other receivables are expected to be recovered within one year.

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The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Current	57,042	79,149	73,800	82,565
Less than 1 month past due	—	—	—	—
1 to 3 months past due	—	—	—	—
3 to 12 months past due	—	5,466	83	—
Total amount past due	—	5,466	83	—
	<u>57,042</u>	<u>84,615</u>	<u>73,883</u>	<u>82,565</u>

Details of the Group’s credit policy are set out in note 26(a).

18 PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Bank loans (note 20)	8,850	4,500	—	6,850
Bills payable (note 21)	179,529	230,327	894,853	1,017,391
	<u>188,379</u>	<u>234,827</u>	<u>894,853</u>	<u>1,024,241</u>

The pledged bank deposits will be released upon the settlement of relevant bank loans and bills payable.

19 CASH AND CASH EQUIVALENTS

	As at 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Deposit with banks within 3 months of maturity	85	164	124	10
Cash at banks and on hand	49,704	54,631	176,774	120,637
Cash and cash equivalents in combined cash flow statements	<u>49,789</u>	<u>54,795</u>	<u>176,898</u>	<u>120,647</u>

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20 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Unsecured bank loans (i)	220,657	141,500	124,200	140,200
Unsecured loans from the Controlling Shareholder (ii)	21,515	35,615	38,596	39,910
	<u>242,172</u>	<u>177,115</u>	<u>162,796</u>	<u>180,110</u>
Secured bank loans (iii)	117,900	102,550	139,550	208,250
Secured borrowings from other financial institutions (iv)	37,905	57,929	46,171	76,913
	<u>155,805</u>	<u>160,479</u>	<u>185,721</u>	<u>285,163</u>
	<u>397,977</u>	<u>337,594</u>	<u>348,517</u>	<u>465,273</u>

At each of the balance sheet dates, loans and borrowings were secured by assets of the Group and related parties as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Loans and borrowings:				
- secured by assets of the Group (v)	136,805	141,479	95,721	195,163
- secured by assets of related parties (note 29(e))	19,000	19,000	90,000	90,000
	<u>155,805</u>	<u>160,479</u>	<u>185,721</u>	<u>285,163</u>

- (i) Unsecured bank loans carried interest at annual rates ranging from 6.14% to 8.75%, 5.58% to 8.22%, 5.31% to 6.37% and 5.31% to 6.37% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Unsecured bank loans with carrying amount of RMB91,657,000, RMB71,500,000, RMB124,200,000 and RMB137,800,000 were guaranteed by related parties at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively (see note 29 (e)).
- (ii) Loans from the Controlling Shareholder are unsecured, interest-free and have no fixed term of repayment.
- (iii) Secured bank loans carried interest at annual rates ranging from 4.80% to 7.52%, 4.80% to 7.47%, 5.31% to 5.84% and 5.31% to 5.84% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.
- (iv) Borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 5.86% to 6.40%, 5.35% to 8.64%, 5.35% to 6.37% and 5.35% to 6.37% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

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(v) Secured loans and borrowings were secured by the following assets of the Group:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Inventories	12,794	22,095	12,488	37,766
Pledged bank deposits	8,850	4,500	—	6,850
Investment properties	11,476	11,057	10,639	10,429
Other property, plant and equipment	4,976	4,819	4,661	4,582
Lease prepayments	5,512	5,374	8,631	4,998
	<u>43,608</u>	<u>47,845</u>	<u>36,419</u>	<u>64,625</u>

21 TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	45,200	38,194	44,597	51,789
Bills payable	<u>289,428</u>	<u>384,379</u>	<u>1,160,288</u>	<u>1,561,482</u>
	334,628	422,573	1,204,885	1,613,271
Receipts in advance	63,830	97,347	100,935	83,865
Other payables and accruals	<u>59,148</u>	<u>67,808</u>	<u>113,047</u>	<u>105,284</u>
Payables due to third parties	457,606	587,728	1,418,867	1,802,420
Payables due to related parties (note 29(c))	<u>230,178</u>	<u>388,757</u>	<u>215,133</u>	<u>221,572</u>
Trade and other payables	<u>687,784</u>	<u>976,485</u>	<u>1,634,000</u>	<u>2,023,992</u>

All trade and other payables are expected to be settled within one year.

Bills payable of RMB179,529,000, RMB230,327,000, RMB894,853,000 and RMB1,017,391,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, were secured by pledged bank deposits (see note 18).

Bills payable of RMB109,899,000, RMB149,552,000, RMB265,435,000 and RMB544,091,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, were secured by inventories (see note 16).

An ageing analysis of trade and bills payables is as follows:

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	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Due within 3 months	316,458	422,573	1,015,887	1,508,150
Due after 3 months but within 6 months . . .	18,170	—	188,998	105,121
	<u>334,628</u>	<u>422,573</u>	<u>1,204,885</u>	<u>1,613,271</u>

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22 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the combined balance sheets and the movements during the Relevant Period are as follows:

	Fair value adjustment arising from business combination	Depreciation allowances in excess of depreciation charges	Future benefits of tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets/(liabilities)				
arising from:				
At 1 January 2007	—	(2,877)	1,785	(1,092)
(Charged)/credited to profit or loss (note 5(a))	—	(1,464)	1,785	321
At 31 December 2007	<u>—</u>	<u>(4,341)</u>	<u>3,570</u>	<u>(771)</u>
At 1 January 2008	—	(4,341)	3,570	(771)
(Charged)/credited to profit or loss (note 5(a))	—	(1,868)	2,927	1,059
At 31 December 2008	<u>—</u>	<u>(6,209)</u>	<u>6,497</u>	<u>288</u>
At 1 January 2009	—	(6,209)	6,497	288
(Charged)/credited to profit or loss (note 5(a))	—	—	(4,124)	(4,124)
At 31 December 2009	<u>—</u>	<u>(6,209)</u>	<u>2,373</u>	<u>(3,836)</u>
At 1 January 2010	—	(6,209)	2,373	(3,836)
Acquisition of a subsidiary through business combination (note 25)	(15,162)	—	—	(15,162)
(Charged)/credited to profit or loss (note 5(a))	—	—	(678)	(678)
At 30 June 2010	<u>(15,162)</u>	<u>(6,209)</u>	<u>1,695</u>	<u>(19,676)</u>
	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Representing:				
Net deferred tax assets	3,186	5,710	2,225	1,641
Net deferred tax liabilities	(3,957)	(5,422)	(6,061)	(21,317)
	<u>(771)</u>	<u>288</u>	<u>(3,836)</u>	<u>(19,676)</u>

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23 SHARE CAPITAL

For the purpose of the Financial Information, the share capital of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 represents the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates, after elimination of investments in subsidiaries.

24 RESERVES

(a) *Capital reserves*

As further explained in Section A, the Financial Information excludes the assets, liabilities and results of operations of the Carve-Out Entities. For purposes of the combined statements of changes in equity, the equity accounts of the Carve-Out Entities as at 1 January 2007 have been excluded from the Group’s combined equity and have been reflected as a reduction in the opening capital reserve of RMB78,473,000 as at 1 January 2007.

During the Relevant Period, the Group has increased its investment in the Carve-Out Entities which is reflected as a distribution to the equity holder of the Company. In addition, the disposals of these Carve-Out Entities as part of the Reorganisation, which resulted in a reduction of amount due to the Controlling Shareholder of RMB7,468,000, RMB7,950,000 and RMB110,814,000 for the years ended 31 December 2007, 2008 and 2009 respectively, have been reflected as contributions from the equity holder of the Company and recorded in capital reserve in the respective periods of disposals.

(b) *PRC statutory reserves*

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors’ meeting.

For the entity concerned, statutory reserves can be used to make good previous years’ losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity’s registered capital.

(c) *Exchange reserves*

Foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(u).

(d) *Discretionary surplus reserves*

The transfer to this reserve from the retained earnings is subject to the approval by shareholders at general meetings.

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(e) *Distributable reserves*

The Company was incorporated on 9 July 2010 and has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 30 June 2010.

(f) *Capital risk management*

The Group’s primary objectives when managing capital are to safeguard the group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a debt-to-equity ratio. This ratio is calculated as debt divided by shareholders’ equity. The Group defines debt as loans and borrowings and bills payable, less pledged bank deposits and cash and cash equivalents.

The debt-to-equity ratios at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

		At 31 December			At 30 June
		2007	2008	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000
Loans and borrowings	20	397,977	337,594	348,517	465,273
Bills payable	21	289,428	384,379	1,160,288	1,561,482
Total borrowings		687,405	721,973	1,508,805	2,026,755
Less: Pledged bank deposits	18	(188,379)	(234,827)	(894,853)	(1,024,241)
Cash and cash equivalents	19	(49,789)	(54,795)	(176,898)	(120,647)
Net debt		449,237	432,351	437,054	881,867
Total equity		65,399	99,767	459,665	671,903
Debt-to-equity ratio		6.87	4.33	0.95	1.31

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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25 BUSINESS COMBINATION

On 28 June 2010, the Controlling Shareholder acquired 80% equity interest in Shantou Hongxiang, a PRC domestic company principally engaged in sales of motor vehicles, at a consideration of RMB56,440,000 and contributed to the Group by way of the Contractual Arrangements as further described in Section A.

The above acquisition had the following effect on the Group’s assets and liabilities:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	RMB’000	RMB’000	RMB’000
Other property, plant and equipment (note 11)	7,288	916	8,204
Car dealership (note 13)	—	59,732	59,732
Inventories	49,075	—	49,075
Trade and other receivables	31,181	—	31,181
Cash and cash equivalents	2,662	—	2,662
Pledged bank deposits	53,916	—	53,916
Trade and other payables	(137,801)	—	(137,801)
Income tax payables (note 5(c))	(1,552)	—	(1,552)
Deferred tax liabilities (note 22)	—	(15,162)	(15,162)
Net identified assets	4,769	45,486	50,255
Percentage attributable to the Group			80%
Net identified assets attributable to the Group			40,204
Goodwill arising from the acquisition (note 14) . . .			16,236
Total consideration			<u>56,440</u>
Analysis of the net cash inflow in respect of the acquisition:			
Cash consideration paid (Note)			—
Less: cash acquired			<u>(2,662)</u>
Net cash assumed in acquisition			<u>(2,662)</u>

Note: No consideration was paid by the Group because the acquisition of Shantou Hongxiang was made by the Controlling Shareholder and it was accounted for as a subsidiary of the Group through the Contractual Arrangements as further described in Section A.

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

As the above acquisition was very close to 30 June 2010, the revenue and profit that Shantou Hongxiang contributed to the Group during the Relevant Period is immaterial. If the acquisition had occurred on 1 January 2010, management estimates that the Group’s combined revenue and combined profit for the six months ended 30 June 2010 would have been RMB3,273,903,000 and RMB160,335,000 respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the above acquisition would have been the same if the acquisition had occurred on 1 January 2010.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial assets of the Group include cash and cash equivalent, pledged bank deposits, trade and other receivables. Financial liabilities of the Group include loans and borrowings, and trade and other payables.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk
- fair value

The Company’s board of directors (the “Board”) has overall responsibility for the establishment and oversight of the Group’s risk management framework, and developing and monitoring the Group’s risk management policies.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The risks are mitigated by various measures as disclosed below.

(a) Credit risk

The Group’s credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management’s approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, which is normally settled within one month directly by major financial institutions. Normally, the Group does not obtain collateral from customers.

At the respective balance sheet dates, the Group has certain concentration of credit risk as prepayments to vendors and other receivables due from vendors constitute a large portion of trade and other receivables. The receivables from the five largest debtors at 31 December 2007, 2008 and 2009 and 30 June 2010 represented 61%, 61%, 51% and 73% of the total trade and other receivables respectively, while 18%, 18%, 14% and 32% of the total trade and other receivables were due from the largest single debtor respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets. Except for the financial guarantees given by the Group as set out in note 29(d), the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

The maximum exposure to credit risk in respect of the guarantees at each balance sheet date is disclosed in note 29(d).

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group’s policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The Group had net current liabilities of RMB379,332,000, RMB338,395,000, RMB77,086,000 and RMB75,422,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The Group had net cash generated from/(used in) operating activities amounting to RMB56,500,000, (RMB24,234,000) and RMB273,194,000 and (RMB152,443,000) for the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010, respectively. Based on the detailed review of the working capital forecast of the Group for the year ending 31 December 2011, of the anticipated ability of the Group to obtain continued bank financing to finance its continuing operation, and of the estimated net proceeds from the [●], the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

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The following are the contractual maturities of the Group’s financial liabilities at the respective balance sheet dates, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

At 31 December 2007				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000
Loans and borrowings	412,445	—	412,445	397,977
Trade and other payables	687,784	—	687,784	687,784
	<u>1,100,229</u>	<u>—</u>	<u>1,100,229</u>	<u>1,085,761</u>

At 31 December 2008				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000
Loans and borrowings	349,782	—	349,782	337,594
Trade and other payables	976,485	—	976,485	976,485
	<u>1,326,267</u>	<u>—</u>	<u>1,326,267</u>	<u>1,314,079</u>

At 31 December 2009				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000
Loans and borrowings	358,002	—	358,002	348,517
Trade and other payables	1,634,000	—	1,634,000	1,634,000
	<u>1,992,002</u>	<u>—</u>	<u>1,992,002</u>	<u>1,982,517</u>

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At 30 June 2010

	Contractual undiscounted cash outflow			Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	
	RMB’000	RMB’000	RMB’000	
Loans and borrowings	476,444	—	476,444	465,273
Trade and other payables	<u>2,023,992</u>	<u>—</u>	<u>2,023,992</u>	<u>2,023,992</u>
	<u>2,500,436</u>	<u>—</u>	<u>2,500,436</u>	<u>2,489,265</u>

(c) *Interest rate risk*

(i) *Interest rate profile*

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of the Group’s financial instruments subject to interest rate risk. Cash at bank are with fixed interest rates ranging from 0.36% to 0.72% per annum as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 1.71% to 4.14% per annum as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The Group’s interest-bearing borrowings and interest rates as at 31 December 2007, 2008 and 2009 and 30 June 2010 are set out as follows:

	Interest Rate	At 31 December			At 30 June
		2007	2008	2009	2010
		RMB’000	RMB’000	RMB’000	RMB’000
Fixed rate borrowings	4.80% to 8.75%	323,002	202,895	158,408	110,897
Variable rate borrowings	4.86% to 8.54%	53,460	99,084	151,513	314,466
		<u>376,462</u>	<u>301,979</u>	<u>309,921</u>	<u>425,363</u>

(ii) *Sensitivity analysis*

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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A general increase/decrease of 100 basis points in interest rates prevailing at the reporting dates, with all other variables held constant, would decrease/increase the Group’s profit after tax and retained earnings by approximately RMB458,000, RMB722,000, RMB1,273,000 and RMB1,248,500, as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management’s assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Period.

(d) *Foreign currency risk*

The Group’s businesses are principally conducted in RMB and most of the Group’s monetary assets and liabilities are denominated in RMB. Accordingly, the directors considered the Group’s exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its shareholders.

(e) *Fair values*

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2007, 2008 and 2009 and 30 June 2010, except for the amounts due from/to related parties and loans from the Controlling Shareholder which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

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27 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at each of the balance sheet dates not provided for in the Financial Information were as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted for	4,616	3,598	3,389	3,376
Authorised but not contracted for.	—	—	—	—
	<u>4,616</u>	<u>3,598</u>	<u>3,389</u>	<u>3,376</u>

(b) Operating lease commitments

At each of the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year	4,039	4,834	10,415	24,116
After 1 year but within 5 years	10,902	13,263	35,733	50,897
After 5 years	<u>17,419</u>	<u>14,834</u>	<u>79,457</u>	<u>89,468</u>
	<u>32,360</u>	<u>32,931</u>	<u>125,605</u>	<u>164,481</u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the leases when all the terms are renegotiated.

28 CONTINGENT LIABILITIES

As at 31 December 2007, 2008 and 2009 and 30 June 2010, subsidiaries comprising the Group issued financial guarantees to related parties and have assets being pledged to financial institutions as security for bank loans borrowed by related parties as disclosed in note 29(d).

As at the balance sheet dates, the directors do not consider it probable that a claim will be made against the subsidiaries under any of the guarantees or for any of the assets pledged.

29 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

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During the Relevant Period, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wang Muqing 王木清	Controlling Shareholder
Xu Ling 徐凌	Daughter-in-law of the Controlling Shareholder
Hubei Shengze Industry Co., Ltd. (“Hubei Shengze”) 湖北聖澤實業有限公司 .	Controlled by the Controlling Shareholder
Beijing Jiaruiya Automobile Sales Services Co., Ltd. (“Beijing Jiaruiya”) 北京嘉瑞雅汽車銷售服務有限公司.....	Controlled by the Controlling Shareholder
Hubei Ruishi Automobile Sales Services Co., Ltd. (“Hubei Ruishi”) 湖北瑞獅汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Lushi Automobile Sales Services Co., Ltd. (“Shanghai Lushi”) 上海陸獅汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Shenxie Shenqi Automobile Sales Services Co., Ltd. (“Shanghai Shenxie Shenqi”) 上海紳協紳起汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Inner Mongolia Huadun Automobile Trading Co., Ltd. (“Inner Mongolia Huadun”) 內蒙古華頓汽車貿易有限公司	Controlled by the Controlling Shareholder
Suizhou Bocheng Automobile Sales Services Co., Ltd. (“Suizhou Bocheng”) 隨州博誠汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Shenhui Automobile Sales Services Co., Ltd. (“Shanghai Shenhui”) 上海紳暉汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Zhenyang Property Co., Ltd. (“Shanghai Zhenyang”) 上海真陽房產有限公司	Controlled by the Controlling Shareholder
Wuhan Xinboheng Trading Co., Ltd. (“Wuhan Xinboheng”) 武漢欣博恒貿易有限公司.....	Controlled by the Controlling Shareholder
Datong Huakun Materials Trading Co., Ltd. (“Datong Huakun”) 大同華昆物資貿易有限公司	Controlled by the Controlling Shareholder

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Name of party	Relationship
Dalian Zhengyang Trading Co., Ltd. (“Dalian Zhengyang”) 大連保稅區正陽貿易有限公司	Controlled by the Controlling Shareholder
Liaoning Meixing Automobile Sales Services Co., Ltd. (“Liaoning Meixing”) 遼寧美星汽車銷售技術服務有限公司	Controlled by the Controlling Shareholder
Hebei Shengze Automobile Sales Services Co., Ltd. (“Hebei Shengze”) 河北聖澤汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanxi Dingjie Automobile Sales Services Co., Ltd. (“Shanxi Dingjie”) 山西鼎傑汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Xinjiang Meilin Trading Co., Ltd. (“Xinjiang Meilin”) 新疆美林貿易有限公司	Controlled by the Controlling Shareholder
Heilongjiang Dingjie Automobile Sales Services Co., Ltd. (“Heilongjiang Dingjie”) 黑龍江鼎傑汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Handan Fengchi Automobile Trading Co., Ltd. (“Handan Fengchi”) 邯鄲風馳汽車貿易有限公司	Controlled by the Controlling Shareholder
Baotou Tuxin Automobile Sales Services Co., Ltd. (“Baotou Tuxin”) 包頭圖欣汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Wuhan Zhongcheng Automobile Sales Services Co., Ltd. (“Wuhan Zhongcheng”) 武漢眾成汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Shanghai Shenrui Automobile Sales Services Co., Ltd. (“Shanghai Shenrui”) 上海紳瑞汽車銷售服務有限公司	Controlled by the Controlling Shareholder
Jingdezhen Jishun Transportation Co., Ltd. (“Jingdezhen Jishun”) 景德鎮吉順汽車運輸有限公司	Controlled by the Controlling Shareholder
Beijing Baoze Automobile Technology Development Co., Ltd. (“Beijing Baoze Technology”) 北京寶澤汽車科技發展有限公司	Controlled by the Controlling Shareholder

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Name of party	Relationship
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. (“Inner Mongolia Shengze Dingjie”) 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder
Changsha Shengze Ruibao Electronics Trading Co., Ltd. (“Changsha Shengze Ruibao”) 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by the Controlling Shareholder
Shanghai Shengze Dingjie Automobile Trading Co., Ltd. (“Shanghai Shengze Dingjie”) 上海聖澤鼎傑汽車貿易有限公司	Controlled by the Controlling Shareholder

Note: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(a) **Recurring transactions**

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Rental expense:					
Hubei Shengze.	<u>2,981</u>	<u>2,981</u>	<u>3,727</u>	<u>1,863</u>	<u>1,863</u>

The Company’s directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business. The directors have confirmed that recurring related party transactions will continue in the future after the [●] of the Company’s shares on the Stock Exchange.

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(b) **Non-recurring transactions**

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Rendering of motor-related services:					
Shanghai Lushi	—	2	82	23	98
Shanghai Shenxie Shenqi	255	—	155	—	266
Suizhou Bocheng	665	617	363	296	—
Shanghai Shenrui	—	30	—	—	172
Wuhan Zhongcheng	—	—	401	37	198
	<u>920</u>	<u>649</u>	<u>1,001</u>	<u>356</u>	<u>734</u>
Receipt of motor-related services:					
Shanghai Shenxie Shenqi	—	29	17	13	3
Wuhan Zhongcheng	—	955	18,405	6,914	8,032
Shanghai Shenrui	—	7	—	—	—
	<u>—</u>	<u>991</u>	<u>18,422</u>	<u>6,927</u>	<u>8,035</u>
Sales of motor vehicles:					
Beijing Jiaruiya	277	427	—	—	193
Shanghai Lushi	146	—	—	—	—
Shanghai Shenxie Shenqi	—	3,742	2,690	2,210	90
Suizhou Bocheng	10,094	6,673	2,639	—	—
Hebei Shengze	392	—	—	—	—
Shanxi Dingjie	229	—	—	—	—
Xinjiang Meilin	422	—	—	—	—
Heilongjiang Dingjie	2,659	—	—	—	—
Handan Fengchi	304	—	—	—	—
Baotou Tuxin	2,539	—	—	—	—
Wuhan Zhongcheng	—	272	23,324	—	2,872
	<u>17,062</u>	<u>11,114</u>	<u>28,653</u>	<u>2,210</u>	<u>3,155</u>

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	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Purchases of motor vehicles:					
Hubei Ruishi	107	—	—	—	—
Shanghai Shenxie Shenqi	11,126	23,830	14,488	8,761	3,061
Inner Mongolia Huadun	443	—	—	—	—
Liaoning Meixing	6,874	1,824	—	—	—
Hebei Shengze	7,682	—	—	—	—
Shanxi Dingjie	11,707	101	—	—	—
Xinjiang Meilin	2,779	—	—	—	—
Heilongjiang Dingjie	6,350	—	—	—	—
Baotou Tuxin	943	—	—	—	—
Wuhan Zhongcheng	—	—	742	—	—
	<u>48,011</u>	<u>25,755</u>	<u>15,230</u>	<u>8,761</u>	<u>3,061</u>
Advance from related parties:					
Hubei Shengze	—	—	—	—	44,903
Inner Mongolia Huadun	—	1,500	—	—	—
Liaoning Meixing	—	1,418	1,800	—	—
Heilongjiang Dingjie	—	229	—	—	—
Hebei Shengze	—	62,143	—	—	—
Shanxi Dingjie	—	122,463	—	—	—
Wuhan Zhongcheng	1,538	507	7,550	2,658	—
Beijing Jiaruiya	194	500	—	—	343
Hubei Ruishi	2,959	—	—	—	—
Suizhou Bocheng	12,682	8,244	—	—	—
Shanghai Shenrui	1,911	—	—	—	588
Wuhan Xinboheng	—	8,000	—	—	—
Jingdezhen Jishun	—	—	3,732	—	3,427
Inner Mongolia Shengze Dingjie	—	—	—	—	2,995
	<u>19,284</u>	<u>205,004</u>	<u>13,082</u>	<u>2,658</u>	<u>52,256</u>

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	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(Unaudited)
Repayment of advance from related parties:					
Hubei Shengze	86,050	21,333	—	—	—
Inner Mongolia Huadun	287	—	1,500	—	—
Liaoning Meixing	6,209	—	—	—	—
Heilongjiang Dingjie	5,012	—	—	—	—
Hebei Shengze	2,437	—	4,967	1,479	—
Shanxi Dingjie	1,744	—	6,828	3,419	—
Wuhan Zhongcheng	—	—	—	—	11,127
Xinjiang Meilin	2,816	—	720	—	—
Hubei Ruishi	—	3,084	—	—	16
Suizhou Bocheng	—	—	233	233	—
Shanghai Shenhui	—	270	—	—	—
Shanghai Shenrui	—	1,911	—	—	—
Dalian Zhengyang	1,500	—	—	—	—
	<u>106,055</u>	<u>26,598</u>	<u>14,248</u>	<u>5,131</u>	<u>11,143</u>
Advance to related parties:					
Heilongjiang Dingjie	229	—	—	—	—
Shanghai Lushi	10,505	1,798	—	—	—
Shanghai Shenxie Shenqi	4,086	29,700	36,080	7,046	—
Shanghai Shenrui	—	1,355	16,571	1,891	—
Dalian Zhengyang	10,000	—	—	—	—
Shanghai Zhenyang	—	509	—	—	—
Beijing Baoze Technology	—	—	—	—	368
Changsha Shengze Ruibao	—	—	—	—	3
Shanghai Shengze Dingjie	—	—	—	—	93
	<u>24,820</u>	<u>33,362</u>	<u>52,651</u>	<u>8,937</u>	<u>464</u>

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	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Repayment of advance to related parties:					
Hubei Shengze	—	—	19,223	2,566	—
Baotou Tuxin	2,145	—	—	—	—
Inner Mongolia Huadun	—	—	—	—	653
Handan Fengchi	356	—	—	—	—
Datong Huakun	823	—	—	—	—
Shanghai Lushi	—	—	5,977	788	1,949
Shanghai Shenhui	4,602	—	1,013	—	—
Shanghai Shenxie Shenqi	—	—	—	—	16,803
Wuhan Xinboheng	893	—	—	—	—
Dalian Zhengyang	—	10,000	—	—	—
Shanghai Zhenyang	—	—	509	—	—
	<u>8,819</u>	<u>10,000</u>	<u>26,722</u>	<u>3,354</u>	<u>19,405</u>
Loans from the Controlling Shareholder	<u>21,401</u>	<u>14,100</u>	<u>2,981</u>	<u>2,981</u>	<u>1,314</u>

The advances from/to related parties and the loans from the Controlling Shareholder of the Group are unsecured, interest-free and have no fixed term of repayment. The directors of the Company have confirmed that the above transactions will not be continued in the future after the [●] of the Company’s shares on the Stock Exchange.

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(c) **Balances with related parties**

As at the respective balance sheet dates, the Group had the following balances with related parties:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
Other receivables due from:				
Hubei Shengze	—	—	41,712	—
Beijing Jiaruiya	130	130	129	12
Hubei Ruishi	—	—	—	16
Shanghai Lushi	20,445	22,069	16,181	14,347
Shanghai Shenxie Shenqi	—	—	20,092	120
Inner Mongolia Huadun	—	—	653	—
Shanghai Shenhui	742	1,012	—	—
Shanghai Zhenyang	—	509	—	—
Dalian Zhengyang	10,000	—	—	—
Heilongjiang Dingjie	229	—	—	—
Wuhan Zhongcheng	—	—	—	285
Shanghai Shenrui	—	1,383	17,955	17,568
Beijing Baoze Technology	—	—	—	368
Changsha Shengze Ruibao	—	—	—	3
Shanghai Shengze Dingjie	—	—	—	93
	<u>31,546</u>	<u>25,103</u>	<u>96,722</u>	<u>32,812</u>
Other payables due to:				
Hubei Shengze	187,288	162,408	—	201,418
Hubei Ruishi	3,084	—	—	—
Shanghai Shenxie Shenqi	8,510	2,346	—	—
Inner Mongolia Huadun	—	847	—	—
Suizhou Bocheng	4,030	3,746	—	—
Wuhan Xinboheng	—	8,000	8,000	8,000
Liaoning Meixing	3,777	7,328	9,128	—
Hebei Shengze	11,602	70,210	63,764	—
Shanxi Dingjie	7,718	130,300	123,472	—
Xinjiang Meilin	720	720	—	—
Wuhan Zhongcheng	1,538	2,852	5,037	—
Shanghai Shenrui	1,911	—	—	—
Xu Ling	—	—	2,000	2,000
Jingdezhen Jishun	—	—	3,732	7,159
Inner Mongolia Shengze Dingjie	—	—	—	2,995
	<u>230,178</u>	<u>388,757</u>	<u>215,133</u>	<u>221,572</u>
Loans and borrowings:				
Loans from the Controlling Shareholder	<u>21,515</u>	<u>35,615</u>	<u>38,596</u>	<u>39,910</u>

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The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment. The directors of the Company confirm that the balance will be settled before [●].

(d) Guarantees issued by the Group

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees issued by the Group in respect of bank loans borrowed by a related party:				
- Hubei Shengze	<u>20,000</u>	<u>—</u>	<u>55,000</u>	<u>55,000</u>

In addition, the carrying value of assets of the Group pledged to financial institutions as security for bank loans borrowed by related parties as at each balance sheet date are analysed as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Other property, plant and equipment	139,343	134,643	129,944	127,242
Lease prepayments	<u>112,850</u>	<u>109,834</u>	<u>106,818</u>	<u>105,138</u>
	<u>252,193</u>	<u>244,477</u>	<u>236,762</u>	<u>232,380</u>

The directors have confirmed that the above guarantees and assets pledged to banks will be released [●].

(e) Guarantees issued by related parties

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees issued by related parties in respect of bank loans borrowed by the Group:				
- Beijing Jiaruiya	—	—	40,000	25,000
- Hubei Shengze	<u>91,657</u>	<u>71,500</u>	<u>84,200</u>	<u>112,800</u>
	<u>91,657</u>	<u>71,500</u>	<u>124,200</u>	<u>137,800</u>

In addition, the carrying value of assets of related parties pledged to banks as security for bank loans borrowed by the Group are analysed as follows:

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	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000
- Other property, plant and equipment	37,000	37,000	—	—
- Lease prepayments	—	—	164,775	164,775
	37,000	37,000	164,775	164,775

The directors have confirmed that the above guarantees and assets pledged to banks will be released [●].

(f) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 6 and note 7.

30 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Depreciation

Investment properties and other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group’s historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

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(b) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management’s regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debt would affect the combined statements of comprehensive income in future years.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(d) Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group’s net asset value.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of the Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information.

		<u>Effective for accounting periods beginning on or after</u>
Amendment to HKAS 32	Financial instruments: Presentation-classification of rights issues	1 February 2010
Amendments to HKFRS 1	First-time adoption of Hong Kong Financial Reporting Standards-Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Improvements to HKFRSs (2010)		1 July 2010 or 1 January 2011

APPENDIX I**ACCOUNTANTS’ REPORT**

		<u>Effective for accounting periods beginning on or after</u>
Revised HKAS 24	Related party disclosures	1 January 2011
Consequential amendment to HKFRS 8	Operating segments	1 January 2011
Amendments to HK (IFRIC) 14, HKAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction-Prepayments of a minimum funding requirement	1 January 2011
HKFRS 9	Financial Instruments	1 January 2013

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

32 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at the date of this report to be Joy Capital Holdings Limited, a company incorporated in the British Virgin Islands.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2010:

(a) *Group reorganisation*

The Company was incorporated in the Cayman Islands on 9 July 2010. The companies now comprising the Group underwent and completed a Reorganisation in preparation for the [●] of the Company’s shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed “Our History and Reorganisation” in the Document. As a result of the Reorganisation, the Company became the holding company of the Group on 17 November 2010.

(b) *Share option scheme*

Pursuant to the written resolution of the shareholders of the Company passed on 9 August 2010, the Company has conditionally adopted a Share Option Scheme. The principal terms of the Share Option Scheme are summarised in Appendix VII to the Document.

(c) *Disposal of certain properties and land use rights*

In September 2010, pursuant to the Reorganisation as detailed in the section headed “Our History and Reorganisation”, the Group disposed certain properties and land use rights to certain subsidiaries of the Controlling Shareholder for a consideration of RMB 161 million, which is equivalent to their aggregate carrying amount on their respective disposal dates.

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(d) *Capitalisation of shareholder’s loans*

On 29 September 2010, the Group settled the loans from the Controlling Shareholder totalled RMB 83.2 million by capitalisation into the Group’s combined share capital.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company and its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

APPENDIX IV**PROPERTY VALUATION**

The following is the text of the letter, a summary of values and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose for incorporation in this document, in connection with its valuation of the property interests held by the Group as at 30 September 2010.



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29 November 2010

The Directors
China ZhengTong Auto Services Holdings Limited
Baoze Plaza
No. 59 West Third-Ring South Road
Beijing
PRC

Dear Sirs

In accordance with your instructions for us to value the property interests held by China ZhengTong Auto Services Holdings Limited (the “Company”), its subsidiaries and its jointly controlled entity and companies whose 51% equity interest or more are held by such jointly controlled entity (hereinafter collectively referred to as the “Group” for the purpose of this valuation report) in the People’s Republic of China (the “PRC”), 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 the market values of the property interests as at 30 September 2010 (the “date of valuation”).

BASIS OF VALUATION

Our valuation is our opinion of the 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

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excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, 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.

VALUATION METHODOLOGIES

We have valued Property No. 9 of Group I by using direct comparison approach whenever market comparable transactions are available and assumed sale of the property interests with the benefit of vacant possession.

In valuing the rest of the properties of Group I, due to specific purpose for which the buildings and structures of the properties have been constructed, there is no readily identifiable market comparable, thus the buildings and structures cannot be valued on the basis of direct comparison. These properties have therefore been valued on the basis of their depreciated replacement cost. 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 fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciation replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales. Our valuation based on the depreciated replacement cost approach shall be subject to the adequate potential profitability of the business. We must state that cessation of the existing business (if any) would have significant impact on the market values of the properties as derived by the depreciated replacement cost approach.

We have attributed no commercial value to the property interests of the properties of Group II which are leased by the Group in the PRC, due to prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rents.

TITLE DOCUMENTS AND ENCUMBRANCES

We have been provided with copies of extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and the opinion given by the Group’s PRC legal advisor, Jingtian & Gongcheng, regarding the title and other legal matters relating to the properties. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or the Group’s PRC legal advisor which is material to the valuation.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor 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.

SOURCE OF INFORMATION

We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, leases, particulars of occupancy, identification of the properties, site and floor areas and all other relevant information. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore

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only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delays would be incurred during the construction period.

CONTAMINATION

We have not been instructed to arrange for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the properties valued and therefore assumed in our valuation that none of the said material was contained in the properties. However, should it be established subsequently that contamination exists at the properties or on any neighbouring land, or that the properties have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

REMARKS

In the course of our valuation, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

CURRENCY

Unless otherwise specified, all amounts are denominated in Renminbi.

Our summary of values and valuation report are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

Note: Alex S L Ng, M.R.I.C.S., M.H.K.I.S., R.P.S. (G.P.), has been a qualified valuer with Knight Frank Petty Limited since 1995 and has about 24 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

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SUMMARY OF VALUES

Group I — Property interests held by the Group for owner-occupation in the PRC

Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
1 4S shop No. 55 Xudong Avenue Wuchang District Wuhan City Hubei Province The PRC	44,800,000	100%	44,800,000
2 4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	32,500,000	100%	32,500,000
3 4S shop No. Fu 10 Gusaoshu Road Jiangnan District Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
4 4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	5,800,000	100%	5,800,000
5 4S shop No. 92 Fazhan Avenue Xiling District Yichang City Hubei Province The PRC	10,300,000	100%	10,300,000

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
6 4S shop No. 39 Chenzhou Avenue Chenzhou City Hunan Province The PRC	7,370,000	100%	7,370,000
7 4S shop No. 41 Xitu Road Xitu High-tech Industrial Development Zone Baotou City Inner Mongolia Autonomous Region The PRC	12,000,000	70%	8,400,000
8 4S shop in International Automobile City Xinjiuwei Village Liaobu Town Dongguan City Guangdong Province The PRC	14,700,000	75%	11,025,000
9 A parcel of land located on the north side of Jinfeng North Road and the east side of Beijing-Zhuhai Expressway Jinding Town Zhuhai City Guangdong Province The PRC	10,300,000	100%	10,300,000
10 4S shop No. 9998 Zhongchun Road Minhang District Shanghai City The PRC	No commercial value	100%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
11 A property situated at No. 8 Jiutang Road Huadu District Guangzhou City Guangdong Province The PRC	9,700,000	50%	4,850,000
12 A property located at No. 1 Jinfeng Road Xiangfan City Hubei Province The PRC	60,600,000	50%	30,300,000
Sub-total:	208,070,000		165,645,000

Group II — Property interests leased by the Group in the PRC

Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
13 4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
14 4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
15 A property located at Lot 5C2 Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
16 A property located at Lot 6C2 Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
17 Levels 1 and 2 of Block B Donghu Heping Automobile Park Heping Village Hongshan District Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
18 A property on Level 1 No.166 Yanjiang Avenue Jiangan District Wuhan City Hubei Province The PRC	No commercial value	100%	No commercial value
19 Levels 1 and 2 of a building located at No. 43 Chechengnan Road Shiyan City Hubei Province The PRC	No commercial value	100%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
20 4S shop located at Qianbalizhuang Village West Neimenggu Ziwei Automobile Park Yuquan District Hohhot City Inner Mongolia Autonomous Region The PRC	No commercial value	100%	No commercial value
21 4S shop No. 40 Xingan North Road Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	No commercial value	100%	No commercial value
22 4S shop No. 42 Xingan North Road Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	No commercial value	100%	No commercial value
23 Unit B on Level 16 of Xinda Building No. 1399 Beijing West Road Jingan District Shanghai City The PRC	No commercial value	50%	No commercial value
24 A property located at No. 1610 Husong Road Songjiang District Shanghai City The PRC	No commercial value	100%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
25 4S shop No. 2996 Longwu Road Xuhui District Shanghai City The PRC	No commercial value	100%	No commercial value
26 4S shop No. 829 Yi Fen Hao Zhennan Road Putuo District Shanghai City The PRC	No commercial value	100%	No commercial value
27 Unit 2 on Level 1 Excel Centre No. 6 Wu Ding Hou Avenue Xicheng District Beijing City The PRC	No commercial value	100%	No commercial value
28 4S shop on Levels 1 to 3 and Basement 1 No. 59 West Third Ring South Road Fengtai District Beijing City The PRC	No commercial value	100%	No commercial value
29 A property on Level 1 No. C105 Hongming Center Commercial Street No. 355 Shaoshan North Road Changsha City Hunan Province The PRC	No commercial value	100%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
30 4S shop No. 688 Changsha Avenue Yuhua District Changsha City Hunan Province The PRC	No commercial value	100%	No commercial value
31 A property located at Hongxin Creative Industrial Park No. 146 Fangcun Avenue East Liwan District Guangzhou City Guangdong Province The PRC	No commercial value	100%	No commercial value
32 Factory Nos. 1 & 2 situated at the east of Jingdong Avenue High-tech Industrial Development Zone Nanchang City Jiangxi Province The PRC	No commercial value	100%	No commercial value
33 A property located at Fu 1 of No. 187 Hongduzhong Avenue Qingshanhu District Nanchang City Jiangxi Province The PRC	No commercial value	100%	No commercial value
34 4S shop No. 52 Zhujiang Road Longhu District Shantou City Guangdong Province The PRC	No commercial value	80%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
35 Unit 109 on Level 1 Long Yuan Hai Wan Ya Yuan No. 288 Qinglv South Road Gongbei District Zhuhai City Guangdong Province The PRC	No commercial value	100%	No commercial value
36 Area B, 1# Show Room Nanping Science and Technological Industrial Park No. 1 Pingxisan Road Xiangzhou District Zhuhai City Guangdong Province The PRC	No commercial value	100%	No commercial value
37 Shop Nos. 4 and 6 on Xianlie Road Zhuhai City Guangdong Province The PRC	No commercial value	100%	No commercial value
38 A property located at No.15 Huagang Avenue Huadu District Guangzhou City Guangdong Province The PRC	No commercial value	50%	No commercial value
39 A property located at No. 8 Fengshen Avenue Huadu District Guangzhou City Guangdong Province The PRC	No commercial value	50%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
40 Building 1 # to 4# of No.176 Gaoji Road Sijing Town Songjiang District Shanghai City The PRC	No commercial value	50%	No commercial value
41 A warehouse located on Lot 1MD on Checheng East Road Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	No commercial value	50%	No commercial value
42 Levels 1 and 2 of Unit No. 048 Zone B Yifa Logistic Park located on Luqiu Road Langfa Village Daxing District Beijing City The PRC	No commercial value	50%	No commercial value
43 A warehouse Block 1 Wanli Logistic Park Zhengzhou City Henan Province The PRC	No commercial value	32.5%	No commercial value

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Property	Market value in existing state as at 30 September 2010 RMB	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2010 RMB
44 A warehouse located on the north side of Beihuan Road Zhongmou County Zhengzhou City Henan Province The PRC	No commercial value	32.5%	No commercial value
45 A warehouse located at second villagers’ group Baisha Town Zhongmou County Zhengzhou City Henan Province The PRC	No commercial value	32.5%	No commercial value
46 A warehouse located at second villagers’ group Baisha Town Zhongmou County Zhengzhou City Henan Province The PRC	No commercial value	32.5%	No commercial value
47 Unit 401A on Level 4 of Block B No.10 Fengshen Avenue Huadu District Guangzhou City Guangdong Province The PRC	No commercial value	25.5%	No commercial value
Sub-total:	No commercial value		No commercial value
Grand total:	208,070,000		<u>165,645,000</u>

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Group I — Property interests held by the Group for owner-occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
1. 4S shop No. 55 Xudong Avenue Wuchang District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,471.26 sq m (69,657 sq ft) and three buildings and an ancillary structure, which were completed in about 2004 to 2010.</p> <p>The buildings comprise a car showroom with after-sales service, a maintenance workshop and a reception room with a total gross floor area of approximately 6,634.22 sq m (71,411 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 17 April 2046 for commercial use.</p>	<p>The property is currently occupied by 湖北鼎杰汽車銷售服務有限公司 for 4S shop use.</p>	<p>RMB44,800,000</p> <p>100% interest attributable to the Group</p> <p>RMB44,800,000</p>

Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2006) Di 675 Hao issued by Wuhan City State-owned Land Resources and Administration Bureau dated 7 August 2006, the land use right of a land with a site area of 6,471.26 sq m is vested in 湖北鼎杰汽車銷售服務有限公司 for a term expiring on 17 April 2046 for commercial use.
- (2) Pursuant to the Building Ownership Certificate No. Wu Fang Quan Zheng Chang Zi Di 2007001000 Hao issued by Wuhan City Wuchang District Real Estate Management Bureau dated 1 January 2007, two buildings with a total gross floor area of 6,593.66 sq m are vested in 湖北鼎杰汽車銷售服務有限公司 for commercial and service uses.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 湖北鼎杰汽車銷售服務有限公司 has legally obtained the land use right of the land and building ownership of buildings with a total gross floor area of 6,593.66 sq m and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law such land use right and building ownership.
 - (ii) 湖北鼎杰汽車銷售服務有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right and building ownership within the mortgage period.
 - (iii) Regarding the building without building ownership certificate, 湖北鼎杰汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.
- (4) We have assigned no commercial value to the building with a total gross floor area of approximately 40.56 sq m as it has not yet obtained title document.

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PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
2 4S shop No. Te 6 Huangpu Technological Park Jiangnan District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 15,600.03 sq m (167,919 sq ft) and one building and an ancillary structure, which were completed in about 2005 to 2009.</p> <p>The building comprises a car showroom and maintenance workshop with a total gross floor area of approximately 5,485.09 sq m (59,042 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 27 March 2055 for industrial use.</p>	The property is currently occupied by 武漢寶澤汽車銷售服務有限公司 for 4S shop use.	RMB32,500,000 100% interest attributable to the Group RMB32,500,000

Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2006) Di 801 Hao issued by Wuhan City State-owned Land Resources and Administration Bureau dated 10 October 2006, the land use right of a land with a site area of 15,600.03 sq m is vested in 武漢寶澤汽車銷售服務有限公司 for a term expiring on 27 March 2055 for industrial use.
- (2) Pursuant to the Building Ownership Certificate No. Wu Fang Quan Zheng An Zi Di 200603549 Hao issued by Wuhan City Real Estate Management Bureau dated 17 April 2006, a building with a total gross floor area of 5,485.09 sq m is vested in 武漢寶澤汽車銷售服務有限公司 for other uses.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 武漢寶澤汽車銷售服務有限公司 has legally obtained the land use right of the land and building ownership of building and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law such land use right and building ownership.
 - (ii) 武漢寶澤汽車銷售服務有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right and building ownership within the mortgage period.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
3	4S shop No. Fu 10 Gusaoshu Road Jiangnan District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,325.05 sq m (57,319 sq ft) and three buildings and ancillary structures, which were completed in about 2004.</p> <p>The buildings comprise a car showroom with maintenance workshop, a dormitory with staff canteen and an ancillary building with a total gross floor area of approximately 3,515.73 sq m (37,843 sq ft).</p>	The property is currently occupied by 湖北欣瑞汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2009) Di 790 Hao issued by Wuhan City State-owned Land Resources and Planning Bureau dated 18 December 2009, the land use right of a land of allocated nature with a site area of 5,325.05 sq m is vested in 湖北欣瑞汽車銷售服務有限公司 for industrial use.
- (2) Pursuant to two Building Ownership Certificate Nos. Wu Fang Quan Zheng Jiang Zi Di 2009008316 Hao and Wu Fang Quan Zheng Jiang Zi Di 2009008317 Hao both registered on 9 November 2009, the buildings with a total gross floor area of 3,160.09 sq m are vested in 湖北欣瑞汽車銷售服務有限公司 for other uses.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 湖北欣瑞汽車銷售服務有限公司 possesses the land use right and building ownership of buildings with a total gross floor area of 3,160.09 sq m. The land that 湖北欣瑞汽車銷售服務有限公司 is currently used is of allocated nature. According to the China law, there is no legal ground for 湖北欣瑞汽車銷售服務有限公司 to carry out business of current business scope on the allocated land. After 湖北欣瑞汽車銷售服務有限公司 has completed the land grant process of the land and has obtained a state-owned land use right certificate of a granted land, 湖北欣瑞汽車銷售服務有限公司 would have the right to use (carrying out business of current business scope), transfer, lease, mortgage or dispose of by other legal means land use right of the land.
 - (ii) Regarding the buildings without building ownership certificates, 湖北欣瑞汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificates.
- (4) We have assigned no commercial value to the property as the property cannot be transferred in the market.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
4	4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,570.81 sq m (59,964 sq ft) and one building and ancillary structures, which were completed in about 2006 and 2009.</p> <p>The building comprises a car showroom with maintenance workshop with a total gross floor area of approximately 3,041 sq m (32,733 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 24 December 2059 for industrial use.</p>	The property is currently occupied by 湖北捷瑞汽車銷售服務有限公司 for 4S shop use.	RMB5,800,000 100% interest attributable to the Group RMB5,800,000

Notes:

- (1) Pursuant to the State-owned Construction Land Use Right Grant Contract No. WH-2009-125 entered into between Wuhan City State-owned Land Resources and Planning Administration Bureau and 湖北捷瑞汽車銷售服務有限公司 dated 25 December 2009, the former party agreed to grant the land use right of a parcel of land with a site area of 5,570.81 sq m to the latter party. The Group has advised that the total acquisition cost of the land in 2009 was RMB5,772,073. The State-owned Construction Land Use Right Grant Contract contains, inter-alia, the following salient conditions:
 - (i) Use : Industrial
 - (ii) Land use right term : 50 years
 - (iii) Plot ratio : not more than 1.0
 - (iv) Building density : not more than 43.5%
 - (v) Permissible gross floor area : 5,360 sq m
- (2) Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2010) Di 40 Hao issued by Wuhan City State-owned Land Resources and Planning Bureau dated 1 February 2010, the land use right of a land with a site area of 5,570.81 sq m is vested in 湖北捷瑞汽車銷售服務有限公司 for a term expiring on 24 December 2059 for industrial use.
- (3) Pursuant to the Planning Permit of Construction Land No. Wu Gui An Di Zi (2005) 032 Hao issued by Wuhan City Urban Planning and Administration Bureau dated 2 November 2005, a car repair factory with a gross floor area of 5,360 sq m erected on a land with a site area of 7,545.00 sq m was permitted to be developed.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 湖北捷瑞汽車銷售服務有限公司 has legally obtained the land use right of the land and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law .
 - (ii) Regarding the building without building ownership certificate, 湖北捷瑞汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.
- (5) We have assigned no commercial value to the building with a total gross floor area of approximately 3,041 sq m as it has not yet obtained title document.

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PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
5 4S shop No. 92 Fazhan Avenue Xiling District Yichang City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 4,382.80 sq m (47,177 sq ft) and two buildings and ancillary structures, which were completed in about 2007 to 2009.</p> <p>The buildings comprises a car showroom with after-sales services and maintenance workshop and a car painting room with a total gross floor area of approximately 1,848.86 sq m (19,901 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 12 October 2046 for commercial use.</p>	<p>The property is currently occupied by 宜昌寶澤汽車銷售服務有限公司 for 4S shop use.</p>	<p>RMB10,300,000</p> <p>100% interest attributable to the Group</p> <p>RMB10,300,000</p>

Notes:

- (1) Pursuant to the State-owned Land Use Right Grant Contract No. (2006) 69 Hao and its supplementary agreement both entered into between Yichang City State-owned Land Resources Bureau and 宜昌寶澤汽車銷售服務有限公司 both dated 12 October 2006, the former party agreed to grant the land use right of a parcel of land with a site area of 4,382.80 sq m to the latter party. The Group has advised that the total acquisition cost of the land was RMB5,512,000. The State-owned Land Use Right Grant Contract and its supplementary agreement contain, inter-alia, the following salient conditions:
 - (i) Use : Commercial
 - (ii) Land use right term : 40 years
 - (iii) Plot ratio : not less than 0.8
- (2) Pursuant to the State-owned Land Use Right Certificate No. Yi Shi Guo Yong (2006) Di 100205026 Hao issued by Yichang City State-owned Land Resources Bureau dated 26 October 2006, the land use right of a land with a site area of 4,382.80 sq m is vested in 宜昌寶澤汽車銷售服務有限公司 for a term expiring on 12 October 2046 for commercial use.
- (3) Pursuant to the Building Ownership Certificate No. Yi Shi Fang Quan Zheng Yi Chang Kai Fa Qu Zi Di 0271873 Hao issued by Yichang City Real Estate Administration Bureau registered on 8 July 2009, a building with a total gross floor area of 1,577.61 sq m is vested in 宜昌寶澤汽車銷售服務有限公司 for commercial use.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 宜昌寶澤汽車銷售服務有限公司 has legally obtained the land use right of the land and building ownership of a building with a total gross floor area of 1,577.61 sq m and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law such land use right and building ownership.
 - (ii) 宜昌寶澤汽車銷售服務有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right and building ownership within the mortgage period.

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- (iii) Regarding the building without building ownership certificate, 宜昌寶澤汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.
- (5) We have assigned no commercial value to the building of the car painting room with a total gross floor area of approximately 271.25 sq m as it has not yet obtained title document.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
6	4S shop No. 39 Chenzhou Avenue Chenzhou City Hunan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,333.10 sq m (57,405 sq ft) and one building and ancillary structures, which were completed in about 2007 and 2009.</p> <p>The building comprises a car showroom with after-sales services and maintenance workshop with a total gross floor area of approximately 2,510 sq m (27,018 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 20 September 2045 for commercial and service use.</p>	The property is currently occupied by 郴州瑞寶汽車銷售服務有限公司 for 4S shop use.	RMB7,370,000 100% interest attributable to the Group RMB7,370,000

Notes:

- (1) Pursuant to the Land Use Right Transfer Contract entered into between 郴州市阜康房地產開發有限公司 and 長沙瑞寶汽車銷售服務有限公司 dated 9 August 2006, the former party agreed to transfer the land use right of a parcel of land with a site area of 5,333.60 sq m to the latter party. The Group has advised that the total acquisition cost of the land was RMB6,694,700. The Land Use Right Transfer Contract contains, inter-alia, the following salient conditions:
- (i) Use : Commercial and Residential
- (ii) Land use right term : Commercial : Up to 20 September 2045
Residential : Up to 20 September 2075
- (2) Pursuant to the State-owned Land Use Right Certificate No. Chen Guo Yong (2010) Di 1520 Hao issued by Chenzhou City State-owned Land Resources Bureau dated 21 June 2010, the land use right of a land with a site area 5,333.1 sq m is vested in 郴州瑞寶汽車銷售服務有限公司 for a term expiring on 20 September 2045 for commercial and service uses.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
- (i) 郴州瑞寶汽車銷售服務有限公司 has legally possessed the land use right of the property which can be occupied, used, transferred, leased, mortgaged or disposed of by other legal means in accordance with the law.
- (ii) Regarding the building without title document, 郴州瑞寶汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.
- (4) We have assigned no commercial value to the building with a total gross floor area of approximately 2,510 sq m as it has not yet obtained title document.

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PROPERTY VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
7	<p>4S shop No. 41 Xitu Road Xitu High-tech Industrial Development Zone Baotou City Inner Mongolia Autonomous Region The PRC</p> <p>The property comprises a parcel of land with a site area of approximately 6,500.03 sq m (69,966 sq ft) and one building and ancillary structures, which were completed in about 2009.</p> <p>The building comprises a car showroom with maintenance workshop with a total gross floor area of approximately 4,017 sq m (43,239 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 21 January 2047 for commercial use.</p>	<p>The property is currently occupied by 包頭市寶澤汽車銷售服務有限公司 for 4S shop use.</p>	<p>RMB12,000,000</p> <p>70% interest attributable to the Group</p> <p>RMB8,400,000</p>

Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate No. Bao Gao Xin Guo Yong (2010) Di 019 Hao issued by Inner Mongolia Autonomous Region State-owned Land Resources Baotou Xitu Hi-tech Industrial Development Zone State-owned Land Resources Administrative Branch dated 21 January 2010, the land use right of a land with a site area of 6,500.03 sq m is vested in 包頭市寶澤汽車銷售服務有限公司 for a term expiring on 21 January 2047 for commercial use.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 包頭市寶澤汽車銷售服務有限公司 has legally obtained the land use right of the land and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law such land use right.
 - (ii) 包頭市寶澤汽車銷售服務有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right and building ownership within the mortgage period.
 - (iii) Regarding the building without building ownership certificate, 包頭市寶澤汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.
- (3) We have assigned no commercial value to the building with a total gross floor area of approximately 4,017 sq m as it has not yet obtained title document.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
8	4S shop in International Automobile City Xinjiuwei Village Liaobu Town Dongguan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,732.60 sq m (93,998 sq ft) and two buildings, which were completed in May 2010.</p> <p>The buildings comprise a car showroom with maintenance workshop and an office with a total gross floor area of approximately 4,295 sq m (46,231 sq ft).</p> <p>The land use right of the property has been granted for a term expiring on 14 July 2049 for commercial use.</p>	<p>The property is currently occupied by 東莞捷運行汽車銷售服務有限公司 for 4S shop use.</p>	<p>RMB14,700,000</p> <p>75% interest attributable to the Group</p> <p>RMB11,025,000</p>

Notes:

- (1) Pursuant to the State-owned Construction Land Use Right Grant Contract No. Dong Guo Tu Chu Rang (Shi Chang) He 2009 Di 40 Hao entered into between Dongguan City State-owned Land Resources Bureau and 東莞捷運行汽車銷售服務有限公司 dated 15 October 2009, the former party agreed to grant the land use right of a parcel of land with a site area of 8,733 sq m to the latter party. The Group has advised that the total acquisition cost of the land was RMB14,740,480. The State-owned Construction Land Use Right Grant Contract contains, inter-alia, the following salient conditions:
 - (i) Use : Commercial
 - (ii) Land use right term : 40 years
 - (iii) Plot ratio : not more than 0.7
 - (iv) Building density : not more than 45%
 - (v) Permissible gross floor area : 6,113 sq m
- (2) Pursuant to the State-owned Land Use Right Certificate No. Dong Fu Guo Yong (2009) Di Te 189 Hao issued by Dongguan City State-owned Land Resources Bureau dated 16 September 2009, the land use right of a land with a site area of 8,732.60 sq m is vested in 東莞捷運行汽車銷售服務有限公司 for a term expiring on 14 July 2049 for commercial use.
- (3) Pursuant to Construction Work Planning Permit No. Jian Zi Di 2010-14-003 Hao dated 8 January 2010, two buildings with a total gross floor area of 4,295 sq m were permitted to be developed.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 東莞捷運行汽車銷售服務有限公司 legally possesses the land use right of the property which can be occupied, used, transferred, leased, mortgaged or disposed of by other legal means in accordance with the law.
 - (ii) 東莞捷運行汽車銷售服務有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right within the mortgage period.
 - (iii) Regarding the buildings without title documents, 東莞捷運行汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificates.
- (5) We have assigned no commercial value to the buildings with a total gross floor area of approximately 4,295 sq m as they have not yet obtained title documents.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
9	A parcel of land located on the north side of Jinfeng North Road and the east side of Beijing-Zhuhai Expressway Jinding Town Zhuhai City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 17,663.20 sq m (190,127) sq ft. The land use right of the property has been granted for a term from 10 January 2010 to 10 January 2060 for car sales and maintenance uses.	The land is currently vacant.	RMB10,300,000 100% interest attributable to the Group RMB10,300,000

Notes:

(1) Pursuant to the Zhuhai City State-owned Construction Land Use Right Grant Contract No. 4404TJ-2009-000002 Hao entered into between the State-owned Land Resources Bureau of Zhuhai and 珠海寶澤汽車銷售服務有限公司 dated 10 September 2009 and its supplementary agreement No. Zhu Guo Tu (2010) Bu (Gao Xin) 01 Hao dated 22 February 2010, the former party agreed to grant the land use right of a parcel of land with a site area of 17,663.2 sq m to the latter party. The Group has advised that the total acquisition cost of the land was RMB10,244,656. The State-owned Construction Land Use Right Grant Contract contains, inter-alia, the following salient conditions:

- | | | | |
|-------|---------------------|---|--------------------------------|
| (i) | Use | : | car sales and maintenance uses |
| (ii) | Land use right term | : | 50 years |
| (iii) | Plot ratio | : | 1.0 - 1.5 |
| (iv) | Building density | : | ≤35% |

(2) Pursuant to the Real Estate Title Certificate of Guangdong Province No. Yue Fang Di Quan Zheng Zhu Zi Di 0100072333 Hao issued by Real Estate Registration Center of Zhuhai dated 13 May 2010, the land use right of a land with a site area 17,663.20 sq m is vested in 珠海寶澤汽車銷售服務有限公司 for a term from 10 January 2010 to 10 January 2060 for car sales and maintenance uses.

(3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

珠海寶澤汽車銷售服務有限公司 legally possesses the land use right of the property which can be occupied, used, transferred, leased, mortgaged or disposed of by other legal means in accordance with the law.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
10	4S shop No. 9998 Zhongchun Road Minhang District Shanghai City The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,564 sq m (92,183 sq ft) and five buildings and ancillary structures, which were completed in 2002 to 2008.</p> <p>The buildings comprise two car showrooms and three maintenance workshops with a total gross floor area of approximately 8,058.80 sq m (86,745 sq ft).</p>	The property is currently occupied by 上海紳協汽車貿易有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Min Zi (2004) Di 007267 Hao issued by Shanghai Minhang District Real Estate Registry dated 31 December 2003, buildings with a total gross floor area of 4,420.07 sq m and the land of allocated nature with a site area of 8,564 sq m are vested in 上海紳協汽車貿易有限公司 for industrial use.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 上海紳協汽車貿易有限公司 legally possesses the land use right. The land is of allocated nature. According to the China law, there is no legal ground for 上海紳協汽車貿易有限公司 to carry out business of current business scope on the allocated land. After 上海紳協汽車貿易有限公司 has completed the land grant process of the land and has obtained a state-owned land use right certificate of a granted land, 上海紳協汽車貿易有限公司 would have the right to use (carrying out business of current business scope), transfer, lease, mortgage or dispose of by other legal means land use right of the land.
 - (ii) Regarding the buildings without building ownership certificates, 上海紳協汽車貿易有限公司 will legally possess the building ownership after obtaining the building ownership certificates.
- (3) We have assigned no commercial value to the property as the property cannot be transferred in the market.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
11	A property situated at No. 8 Jiutang Road Huadu District Guangzhou City Guangdong Province The PRC	<p>The property comprises two parcels of land with a total site area of approximately 102,653.51 sq m (1,104,962 sq ft) and four buildings and ancillary structures, which were completed in about 2006 and 2009.</p> <p>The buildings comprise an office building, a warehouse, a distribution center and an ancillary building with a total gross floor area of approximately 66,580 sq m (716,667 sq ft).</p> <p>The land use right of one parcel of land with a site area of approximately 25,533.36 sq m (274,841 sq ft) of the property has been granted for a term expiring on 19 April 2050 for industrial/mining/warehouse use.</p>	The property is currently occupied by 廣州風神物流有限公司 for office, storage and logistic uses.	RMB9,700,000 50% interest attributable to the Group RMB4,850,000

Notes:

- (1) Pursuant to a land transfer contract entered into between 廣州花都汽車城發展有限公司 and 廣州風神物流有限公司 dated 10 April 2003, the former party agreed to transfer a parcel of land with a site area of 77,120.148 sq m to the latter party.
- (2) Pursuant to the State-owned Land Use Right Certificate No. Hua Guo Yong (2004) Di 720835 Hao issued by Guangzhou City State-owned Land Resources and Housing Administration Bureau dated 17 March 2004, the land use right of a land with a site area of 25,533.36 sq m is vested in 廣州風神物流有限公司 for a term expiring on 19 April 2050 for industrial/mining/warehouse use.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 廣州風神物流有限公司 has legally possessed the land use right of the land with a site area of 25,533.36 sq m which can be occupied, used, transferred, leased, mortgaged or disposed of by other legal means in accordance with the law.
 - (ii) 廣州風神物流有限公司 will legally possess the land use right of the land with a site area of 77,120.148 sq m after obtaining the land use right certificate.
 - (iii) Regarding the buildings without building ownership certificates, 廣州風神物流有限公司 will legally possess the building ownership after obtaining the building ownership certificates.
- (4) We have assigned no commercial value to the land of approximately 77,120.148 sq m and the four buildings with a total gross floor area of approximately 66,580 sq m as they have not yet obtained title documents.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
12	A property located at No. 1 Jinfeng Road Xiangfan City Hubei Province The PRC	<p>The property comprises two parcels of land with a total site area of approximately 131,600.7 sq m (1,416,550 sq ft) and five buildings and ancillary structures, which were completed in about 2004 and 2009.</p> <p>The buildings comprise two office buildings, a warehouse, a workshop and a guard room with a total gross floor area of approximately 14,019.57 sq m (150,907 sq ft)</p> <p>The land use right of the property has been granted for a term expiring on 29 June 2057 for industrial use.</p>	The property is currently occupied by 襄樊風神物流有限公司 for office and logistic uses.	<p>RMB60,600,000</p> <p>50% interest attributable to the Group</p> <p>RMB30,300,000</p>

Notes:

- (1) Pursuant to the State-owned Land Use Right Certificate No. Xiang Fan Guo Yong (2007) Di 352204040 Hao issued by Xiangfan City State-owned Land Resources Bureau dated 7 September 2007, the land use right of a land with a site area of 66,000.8 sq m is vested in 襄樊風神物流有限公司 for a term expiring on 29 June 2057 for industrial use.
- (2) Pursuant to the State-owned Land Use Right Certificate No. Xiang Fan Guo Yong (2008) Di 352204041 Hao issued by Xiangfan City State-owned Land Resources Bureau dated 5 December 2008, the land use right of a land with a site area of 65,599.9 sq m is vested in 襄樊風神物流有限公司 for a term expiring on 29 June 2057 for industrial use.
- (3) Pursuant to the Building Ownership Certificate No. Xiang Fan Shi Fang Quan Zheng Fan Cheng Qu Zi Di 00114666 Hao registered on 5 August 2009, two buildings with a total gross floor area of 12,057.57 sq m are vested in 襄樊風神物流有限公司 for non-residential use.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 襄樊風神物流有限公司 has legally obtained the land use right of the land and building ownership of buildings stated in the Building Ownership Certificate No. Xiang Fan Shi Fang Quan Zheng Fan Cheng Qu Zi Di 00114666 Hao and can occupy, use, transfer, lease, mortgage or dispose of by other legal means in accordance with the law.
 - (ii) 襄樊風神物流有限公司 has to obtain a consent from the mortgagee for transfer, lease or disposal of by other means of such land use right and building ownership within the mortgage period.
 - (iii) Regarding the buildings without building ownership certificates, 襄樊風神物流有限公司 will legally possess the building ownership after obtaining the building ownership certificates.
- (5) We have assigned no commercial value to the three buildings with a total gross floor area of approximately 1,962 sq m as they have not yet obtained title documents.

APPENDIX IV

PROPERTY VALUATION

Group II — Property interests leased by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing State as at 30 September 2010
13	4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,383.12 sq m (68,708 sq ft) and one building and ancillary structures, which were completed in about 2005 to 2009.</p> <p>The building comprises a car showroom with maintenance workshop with a gross floor area of approximately 4,661.59 sq m (50,177 sq ft).</p> <p>The property is leased by 湖北博誠汽車銷售服務有限公司 for a term of 3 years from the effective date of the lease agreement at an annual rental of RMB1,512,000.</p>	The property is currently occupied by 湖北博誠汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 湖北聖澤實業有限公司, a connected party to the Group, and 湖北博誠汽車銷售服務有限公司 dated 1 August 2010, a property with a site area of 6,383.12 sq m and a gross floor area of 4,661.59 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at an annual rental of RMB1,512,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
14	4S shop No. Te 6 Huangpu Technological Park Jiangan District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,383.12 sq m (68,708 sq ft) and one building and ancillary structures, which were completed in about 2005 to 2008.</p> <p>The building comprises a car showroom with ancillary workshop with a gross floor area of 6,541.52 sq m (70,413 sq ft).</p> <p>The property is leased by 武漢開泰汽車銷售服務有限公司 for a term of 3 years from the effective date of the lease agreement at an annual rental of RMB2,112,000.</p>	The property is currently occupied by 武漢開泰汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

(1) Pursuant to a lease agreement entered into between 湖北聖澤實業有限公司, a connected party to the Group, and 武漢開泰汽車銷售服務有限公司 dated 1 August 2010, a property with a site area of 6,383.12 sq m and a gross floor area of 6,541.52 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at an annual rental of RMB2,112,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.

(2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
15	A property located at Lot 5C2 Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 21,764.91 sq m (234,277 sq ft) and one building, which was completed in about 2004.</p> <p>The building comprises a warehouse with a total gross floor area of approximately 10,422.59 sq m (112,189 sq ft).</p> <p>The property is leased by 武漢聖澤捷通物流有限公司 for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB125,000.</p>	The property is currently occupied by 武漢聖澤捷通物流有限公司 for office and logistics uses.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 武漢聖澤捷通物流有限公司, a connected party to the Group, and 武漢聖澤捷通物流有限公司 dated 1 August 2010, a property with a site area of 21,764.91 sq m and a total gross floor area of 10,422.59 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB125,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

武漢聖澤捷通物流有限公司, the lessor, has legally possessed the land use right of the land and ownership of the building and the lease agreement signed is legally valid.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
16	A property located at Lot 6C2 Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 112,039.49 sq m (1,205,993 sq ft) and five buildings and ancillary structures, which were completed in about 2005 and 2007.</p> <p>The buildings comprise two offices, two warehouses and a car-repairing workshop with a total gross floor area of approximately 58,051.22 sq m (624,863 sq ft).</p> <p>The property is leased by 武漢聖澤捷通物流有限公司 for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB525,000.</p>	<p>Portion of a warehouse of the property with a total gross floor area of approximately 1,960 sq m (21,097 sq ft) is currently sub-leased at a monthly rent of RMB21,560 to be expired on 31 December 2010.</p> <p>The remaining portion of the property is currently occupied by 武漢聖澤捷通物流有限公司 for office and logistics uses.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 武漢聖澤捷運貿易有限公司, a connected party to the Group, and 武漢聖澤捷通物流有限公司 dated 1 August 2010, a property with a site area of 112,039.49 sq m and a total gross floor area of 58,051.22 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB525,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 武漢聖澤捷運貿易有限公司, the lessor, has legally possessed the land use right of the land and ownership of the buildings with a total gross floor area of 57,481.22 sq m, and the content of the lease agreement signed in regard to the land use right and such buildings is legally valid.
 - (ii) Regarding the building without building ownership certificate, after 武漢聖澤捷運貿易有限公司 has obtained the building ownership certificate, 武漢聖澤捷運貿易有限公司 will legally possess the building ownership, and the content of the lease agreement signed in regard to the building without building ownership certificate would be legally valid.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
17	Levels 1 and 2 of Block B Donghu Heping Automobile Park Heping Village Hongshan District Wuhan City Hubei Province The PRC	<p>The property comprises Levels 1 and 2 of Block B with a total gross floor area of approximately 1,130 sq m (12,163 sq ft).</p> <p>The property is leased by 武漢寶澤汽車銷售服務有限公司 for a term of 1 year from 1 September 2010 at an annual rental of RMB1,000,000.</p>	The property is currently under decoration.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 武漢東湖和平機動車交易園有限公司, an independent third party to the Group, and 武漢寶澤汽車銷售服務有限公司 dated 20 July 2010, a property with a total gross floor area of 1,130 sq m is leased from the former party to the latter party for a term of 1 year from 1 September 2010 at an annual rental of RMB1,000,000.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

The land of the leased property is of collective nature where the land being leased to 武漢寶澤汽車銷售服務有限公司 for carrying out business of current business scope has no legal ground. After the land has been performed the legal proceeding to be resumed as a state-owned land and has been granted to the relevant land use right user, and the use of the land by 武漢寶澤汽車銷售服務有限公司 complies with the land use of the granted land confirmed by the relevant government authority, the land use right user or the lessor confirmed by the land use right user would have the right to lease the land to 武漢寶澤汽車銷售服務有限公司.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
18	A property on Level 1 No. 166 Yanjiang Avenue Jiangnan District Wuhan City Hubei Province The PRC	The property comprises a unit on Level 1 with a gross floor area of approximately 350 sq m (3,767 sq ft). The property is leased by 武漢寶澤汽車銷售服務有限公司 for a term of 1 year from 1 August 2010 at a monthly rental of RMB22,000.	The property is currently occupied by 武漢寶澤汽車銷售服務有限公司 for car sales uses.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 武漢華源中天水電設備安裝工程有限公司, an independent third party to the Group, and 武漢寶澤汽車銷售服務有限公司, a property with a gross floor area of approximately 350 sq m is leased from the former party to the latter party for a term of 1 year from 1 August 2010 at a monthly rental of RMB22,000.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

If 武漢港務集團漢口港埠分公司 legally possesses the state-owned land use right certificate of the state-owned granted land and building ownership certificate of the property and the use of the lease agreement complies with the use registered on the land use right certificate, the lease agreement signed would be legally valid.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
19	Levels 1 and 2 of a building located at No. 43 Chechengnan Road Shiyan City Hubei Province The PRC	<p>The property comprises Levels 1 and 2 of a 9-storey building, which was completed in 2004.</p> <p>The total floor area of the property is approximately 2,315.3 sq m (24,922 sq ft).</p> <p>Level 1 of the property is leased by 十堰紳協汽車貿易有限公司 for a term from 1 January 2010 to 31 December 2010 at a quarterly rental of RMB54,063 to be payable on quarterly basis.</p> <p>Level 2 of the property is leased by 十堰紳協汽車貿易有限公司 for a term from 1 January 2010 to 31 December 2011 at an annual rental of RMB413,700 to be payable on semi-annually basis.</p>	The property is currently occupied by 十堰紳協汽車貿易有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into among 李天寶 (“Lessor”), an independent third party to the Group, 十堰寶能達貿易有限公司 (“Agent of Lessor”) and 十堰紳協汽車貿易有限公司 (“Lessee”), Level 1 of the property with a floor area of 1,453.30 sq m is leased for a term from 1 January 2010 to 31 December 2010 at a quarterly rental of RMB54,063 to be payable on quarterly basis.
- (2) Pursuant to a lease agreement entered into between 十堰匯智房地產開發有限公司, an independent third party to the Group, and 十堰紳協汽車貿易有限公司 dated 24 August 2010, Level 2 of the property with a floor area of 862 sq m is leased from the former party to the latter party for a term from 1 January 2010 to 31 December 2011 at an annual rental of RMB413,700 to be payable on semi-annually basis.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor of Note (1) above is the owner of Level 1 of the leased property. The lease agreement is legally valid and bound between both parties.
 - (ii) Lessor of Note (2) above is the owner of Level 2 of the leased property. The lease agreement is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
20	4S shop located at Qianbalizhuang Village West Neimenggu Ziwei Automobile Park Yuquan District Hohhot City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 9,806.72 sq m (105,560 sq ft) and one building, which was completed in about 2009.</p> <p>The building comprises a car showroom with maintenance workshop with a gross floor area of approximately 7,700 sq m (82,883 sq ft).</p> <p>The land of the property is leased by 內蒙古鼎澤汽車銷售服務有限公司 for a term from 8 April 2009 to 7 April 2027. (Please refer to Note (1) for details of the rental.)</p>	The property is currently occupied by 內蒙古鼎澤汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a land lease agreement entered into between 內蒙古紫維汽車(集團)有限公司, an independent third party to the Group, and 內蒙古鼎澤汽車銷售服務有限公司 dated 7 April 2009, a parcel of land with a site area of 9,806.72 sq m (14.71 mu) is leased from the former party to the latter party for a term of 18 years from 8 April 2009 to 7 April 2027 at an annual rental of RMB588,400 for the first five years, and the annual rental from the 6th year to 18th year will be subject to mutual negotiation but the unit rental (RMB/mu/year) shall not be higher than 6% of the prevailing land price of the subject land. If there will be no relevant land transaction for reference, both parties can mutually appoint an appraisal firm to issue a land valuation and the unit rental (RMB/mu/year) shall not be higher than 6% of the land valuation.
- (2) The building with a gross floor area of approximately 7,700 sq m was built by 內蒙古鼎澤汽車銷售服務有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor is the legal user of the land. The lease agreement is legally valid and bound between both parties.
 - (ii) Regarding the building without building ownership certificate, 內蒙古鼎澤汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
21	4S shop No. 40 Xingan North Road Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 4,662 sq m (50,182 sq ft) and one building with a total gross floor area of approximately 1,799 sq m (19,364 sq ft), which was completed in about 2006.</p> <p>The land of the property is leased by 呼和浩特市祺寶汽車銷售服務有限公司 for a term from 30 September 2010 to 29 September 2013 at a monthly rental of RMB13,000.</p>	The property is currently occupied by 呼和浩特市祺寶汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 內蒙古聖澤鼎杰汽車貿易有限公司, a connected party to the Group, and 呼和浩特市祺寶汽車銷售服務有限公司 dated 30 September 2010, a parcel of land with a site area of 4,662 sq m is leased from the former party to the latter party for a term of 3 years from 30 September 2010 to 29 September 2013 at a monthly rental of RMB13,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) A car showroom with maintenance workshop with a total gross floor area of approximately 1,799 sq m was built by 呼和浩特市祺寶汽車銷售服務有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor is the legal user of the land. The lease agreement is legally valid and bound between both parties.
 - (ii) Regarding the building without building ownership certificate, 呼和浩特市祺寶汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
22	4S shop No. 42 Xingan North Road Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 14,865.8 sq m (160,015 sq ft) and two buildings, which were completed in about 2004.</p> <p>The buildings comprise a car showroom with after-sales service and a maintenance workshop with a total gross floor area of approximately 4,615.29 sq m (49,679 sq ft).</p> <p>The property is leased by 內蒙古鼎杰汽車貿易有限公司 for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB78,000.</p>	The property is currently occupied by 內蒙古鼎杰汽車貿易有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 內蒙古聖澤鼎杰汽車貿易有限公司, a connected party to the Group, and 內蒙古鼎杰汽車貿易有限公司 dated 30 September 2010, a property with a site area of 14,865.8 sq m and a total gross floor area of 4,615.29 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB78,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

內蒙古聖澤鼎杰汽車貿易有限公司 is the legal user of the land and legal owner of the buildings of the property and the lease agreement signed is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
23	Unit B on Level 16 of Xinda Building No. 1399 Beijing West Road Jingan District Shanghai City The PRC	<p>The property is an office unit of a 25-storey commercial development with a 2-storey basement which was completed in about 1999. The gross floor area of the property is approximately 170.03 sq m (1,830 sq ft).</p> <p>The property is leased by 上海繹格科工貿有限公司 for a term from 8 October 2009 to 7 October 2010 and another term from 8 October 2010 to 7 October 2011 both at a monthly rental of RMB16,032.40.</p>	The property is currently occupied by 上海繹格科工貿有限公司 for office use.	No commercial value

Notes:

- (1) Pursuant to the Shanghai City Housing Lease Contract (Pre-leasing of Commodity Housing) entered into between 上海立人投資管理有限公司, an independent third party to the Group, and 上海繹格科工貿有限公司 in 2009, an office unit with a gross floor area of 170.03 sq m is leased from the former party to the latter party for a term from 8 October 2009 to 7 October 2010 at a monthly rental of RMB16,032.40.
- (2) Pursuant to a lease agreement entered into between 上海信達立人投資管理有限公司 and 上海繹格科工貿有限公司, the lease in Note (1) above has been extended for a term from 8 October 2010 to 7 October 2011 at a monthly rental of RMB16,032.40. As advised by the Group, the former name of 上海信達立人投資管理有限公司 is 上海立人投資管理有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreements are legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
24	A property located at No. 1610 Husong Road Songjiang District Shanghai City The PRC	<p>The property comprises two parcels of land with a total site area of approximately 12,300 sq m (132,397 sq ft) and a building under construction with a gross floor area of approximately 15,000 sq m (161,460 sq ft), which is scheduled to be completed in December 2010.</p> <p>The land of the property is leased by 上海奧匯汽車銷售服務有限公司 for a term of 20 years from the date of the lease agreement signed at an annual rental of RMB1,550,000 and the annual rental will be increased by 2.5% for every three years.</p>	The property is currently under construction.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 上海三依混凝土有限公司 and 上海九里亭實業公司 (collectively known as “Party A”), an independent third party to the Group, and 上海奧匯汽車銷售服務有限公司 (“Party B”) dated 23 October 2009, two parcels of land with a total site area of 12,300 sq m are leased from Party A to Party B for a term of 20 years from the date of the lease agreement signed at an annual rental of RMB1,550,000 and the annual rental will be increased by 2.5% for every three years.
- (2) The building under construction is being built by 上海奧匯汽車銷售服務有限公司. As advised by the Group, as at date of valuation the outstanding construction cost to complete the construction work was approximately RMB44,000,000 and the construction cost incurred was approximately RMB16,000,000.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) The land of the leased property is of collective nature where the land being leased to 上海奧匯汽車銷售服務有限公司 for carrying out business of current business scope has no legal ground. After the land has been performed the legal proceeding to be resumed as a state-owned land and has been granted to the relevant land use right user, and the use of the land by 上海奧匯汽車銷售服務有限公司 complies with the land use of the granted land confirmed by the relevant government authority, the land use right user or the lessor confirmed by the land use right user would have the right to lease the land to 上海奧匯汽車銷售服務有限公司.
 - (ii) 上海奧匯汽車銷售服務有限公司 will legally possess the building ownership of the building under construction after the completion of the construction works and obtaining the building ownership certificate.

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PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 September 2010
25	4S shop No. 2996 Longwu Road Xuhui District Shanghai City The PRC	<p>The property comprises a car showroom with ancillary building and ancillary structures with a total gross floor area of approximately 6,943.15 sq m (74,736 sq ft), which were completed in 2006.</p> <p>The property is leased by 上海紳協紳通汽車銷售服務有限公司 for a term from 1 August 2006 to 31 July 2016 at an annual rental of RMB1,460,000 and the annual rent will be increased by 3% for every 5 years.</p>	The property is currently occupied by 上海紳協紳通汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 上海新龍華實業有限公司, an independent third party to the Group, and 上海紳協紳通汽車銷售服務有限公司 dated 30 July 2006, a car showroom with ancillary building with a total gross floor area of 4,823.15 sq m is leased from the former party to the latter party for a term from 1 August 2006 to 31 July 2016 at an annual rental of RMB1,460,000 and the annual rent will be increased by 3% for every 5 years.
- (2) A building with a total gross floor area of approximately 2,120 sq m and ancillary structures were built by 上海紳協紳通汽車銷售服務有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 上海新龍華實業有限公司, the lessor of the leased property, has not obtained the ownership certificate of the leased building of the property. The land of the leased property is of allocated nature where the land being leased to 上海紳協紳通汽車銷售服務有限公司 for carrying out business of current business scope has no legal ground. After the land use right of the land has been granted to 上海新龍華實業有限公司 and 上海紳協紳通汽車銷售服務有限公司 has obtained the ownership certificate of the leased building, and the use of the land by 上海紳協紳通汽車銷售服務有限公司 complies with the land use of the granted land confirmed by the relevant government authority, 上海新龍華實業有限公司 would have the right to lease the property to 上海紳協紳通汽車銷售服務有限公司.
 - (ii) Regarding the building with a total gross floor area of 2,120 sq m without building ownership certificate, 上海紳協紳通汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
26	4S shop No. 829 Yi Fen Hao Zhennan Road Putuo District Shanghai City The PRC	<p>The property comprises a parcel of land with a site area of approximately 10,000 sq m (107,640 sq ft) and two buildings and ancillary structures, which were completed in about 2005 to 2009.</p> <p>The buildings comprise a car showroom and a car wash room with storage with a total gross floor area of approximately 3,695 sq m (39,773 sq ft).</p> <p>As advised by the Group, the land of the property is leased by 上海陸達汽車銷售服務有限公司 for a term of 20 years from 20 October 2003 at an annual rental of RMB1,125,000.</p>	The property is currently occupied by 上海陸達汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 上海李園實業有限公司, an independent third party to the Group, and 上海陸達汽車銷售服務有限公司 dated 20 October 2003, a parcel of land with a site area of 15 mu (10,000 sq m) is leased from the former party to the latter party for a term of 20 years at an annual rental of RMB1,125,000.
- (2) The buildings were built by 上海陸達汽車銷售服務有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) The land of the leased property is of allocated nature where the land being leased to 上海陸達汽車銷售服務有限公司 for carrying out business of current business scope has no legal ground. After the land use right of the land has been granted to the relevant land use right user and the use of the land by 上海陸達汽車銷售服務有限公司 complies with the land use of the granted land confirmed by the relevant government authority, the land use right user or the lessor confirmed by the land use right user would have the right to lease the land to 上海陸達汽車銷售服務有限公司.
 - (ii) Regarding the buildings without title document, 上海陸達汽車銷售服務有限公司 will legally possess the building ownership after obtaining the building ownership certificate.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
27	Unit 2 on Level 1 Excel Centre No. 6 Wu Ding Hou Avenue Xicheng District Beijing City The PRC	<p>The property comprises a unit on Level 1 of a 17-storey with a 3-level basement commercial building. The leasable floor area of the property is approximately 421.735 sq m (4,540 sq ft).</p> <p>The property is leased by 北京寶澤行汽車銷售服務有限公司 for a term from 1 June 2010 to 31 December 2013 at a monthly rental of RMB560/sq m.</p>	The property is currently occupied by 北京寶澤行汽車銷售服務有限公司 for car show and office uses.	No commercial value

Notes:

- (1) Pursuant to a lease agreement (the “Lease Agreement”) entered into between 卓著物業管理(北京)有限公司 and 北京尊寶成汽車銷售服務有限公司 dated 28 August 2007, a property with a leasable floor area of 421.735 sq m is leased from the former party to the latter party for a term of 6 years from 1 January 2008 to 31 December 2013 at a monthly rental of RMB560/sq m.
- (2) Pursuant to the Agreement on Assignment of Contractual Rights and Obligations entered into among 北京尊寶成汽車銷售服務有限公司 (“Party A”), 北京寶澤行汽車銷售服務有限公司 (“Party B”) and 卓著物業管理(北京)有限公司 (“Party C”) dated 4 August 2010, the rights and obligations under the Lease Agreement was assigned from Party A to Party B, effective on 1 June 2010.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

The lease agreement signed between 卓著物業管理(北京)有限公司, the lessor, and 北京寶澤行汽車銷售服務有限公司 is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
28	4S shop on Levels 1 to 3 and Basement 1 No. 59 West Third Ring South Road Fengtai District Beijing City The PRC	<p>The building is 6-storey with a 2-level basement, which was completed in 2009.</p> <p>The property comprises Levels 1 to 3 and Basement 1 of the building with a total gross floor area of approximately 8,919.7 sq m (96,012 sq ft).</p> <p>The property is leased by 北京寶澤行汽車銷售服務有限公司 for a term from 1 June 2010 to 31 May 2013 at a monthly rental of RMB545,175, inclusive of management fee and heating fee.</p>	<p>The property is currently occupied by 北京寶澤行汽車銷售服務有限公司 for car show and office uses.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 北京寶澤汽車科技發展有限公司, a connected party to the Group, and 北京寶澤行汽車銷售服務有限公司, a property with a total gross floor area of 8,919.7 sq m is leased from the former party to the latter party for a term of 3 years from 1 June 2010 to 31 May 2013 at a monthly rental of RMB545,175, inclusive of management fee and heating fee.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

北京寶澤汽車科技發展有限公司 is the legal user of the land and legal owner of the building of the property. The lease agreement is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
29	A property on Level 1 No. C105 Hongming Center Commercial Street No. 355 Shaoshan North Road Changsha City Hunan Province The PRC	<p>The property comprises a unit on Level 1 with a gross floor area of approximately 397.35 sq m (4,277 sq ft).</p> <p>The property is leased by 長沙瑞寶汽車銷售服務有限公司 for a term from 1 May 2008 to 30 April 2013 at a monthly rental of RMB35,520 for the first year and the monthly rentals of the subsequent years are RMB39,338, RMB41,720, RMB43,860 and RMB46,010 respectively.</p>	The property is currently occupied by 長沙瑞寶汽車銷售服務有限公司 for car sales use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 劉光白, an independent third party to the Group, and 長沙瑞寶汽車銷售服務有限公司 dated 18 April 2008, a property with a gross floor area of approximately 397.35 sq m is leased from the former party to the latter party for a term of 5 years from 1 May 2008 to 30 April 2013 at a monthly rental of RMB35,520 for the first year and the monthly rentals of the subsequent years are RMB39,338, RMB41,720, RMB43,860 and RMB46,010 respectively.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
30	4S shop No. 688 Changsha Avenue Yuhua District Changsha City Hunan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 16,721.28 sq m (179,988 sq ft) and two buildings and ancillary structures, which were completed in about 2006 to 2009.</p> <p>The buildings comprise a car showroom with maintenance workshop and a staff dormitory with a total gross floor area of approximately 4,498.26 sq m (48,419 sq ft).</p> <p>The property is leased by 長沙瑞寶汽車銷售服務有限公司 for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB175,000.</p>	The property is currently occupied by 長沙瑞寶汽車銷售服務有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 長沙聖澤瑞寶電子產品貿易有限公司, a connected party to the Group, and 長沙瑞寶汽車銷售服務有限公司 dated 30 September 2010, a property with a site area of 16,721.28 sq m and a total gross floor area of 4,498.26 sq m is leased from the former party to the latter party for a term of 3 years from the effective date of the lease agreement at a monthly rental of RMB175,000, and after the expiry of the lease and before the year of 2020, the latter party has an option to renew the lease.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 長沙聖澤瑞寶電子產品貿易有限公司 has legally obtained the land use right of the land and building ownership of a building with a total gross floor area of 3,998.26 sq m. The content of the lease agreement in regard to the aforesaid land use right and building is legally valid.
 - (ii) Regarding the building without building ownership certificate, after 長沙聖澤瑞寶電子產品貿易有限公司 has obtained the building ownership certificate, 長沙聖澤瑞寶電子產品貿易有限公司 will legally possess the building ownership, and the content of the lease agreement in regard to the building without building ownership certificate would be legally valid.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
31	A property located at Hongxin Creative Industrial Park No. 146 Fangcun Avenue East Liwan District Guangzhou City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,939.65 sq m (96,226 sq ft) and a building under construction with a gross floor area of approximately 5,640.50 sq m (60,714 sq ft), which is scheduled to be completed in October 2010.</p> <p>The land of the property is leased by 廣州寶澤汽車銷售服務有限公司 for a term from 16 July 2009 to 31 December 2028 at a monthly rental of RMB178,793 for the first 2 years and monthly rental thereafter will be increased by 6% for every 2 years.</p>	The property is currently under construction.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 廣州市宏信汽車市場有限公司, an independent third party to the Group, and 廣州寶澤汽車銷售有限公司 dated 16 July 2009, a parcel of land with a site area of 8,939.65 sq m is leased from the former party to the latter party for a term from 16 July 2009 to 31 December 2028 at a monthly rental of RMB178,793 for the first 2 years and monthly rental thereafter will be increased by 6% for every 2 years.
- (2) Pursuant to the Planning Permit of Construction Project No. Sui Gui Jian Zheng (2009) 3258 Hao and its appendix II issued by Guangzhou City Urban Planning Bureau dated 22 October 2009, a construction work of a 2-storey temporary car showroom with a gross floor area of 5,640.50 sq m for a term of two years was permitted to be built.
- (3) The building under construction is being built by 廣州寶澤汽車銷售服務有限公司. As advised by the Group, as at date of valuation the outstanding construction cost to complete the construction work was approximately RMB11,450,000 and the construction cost incurred was approximately RMB20,550,000.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) 廣州柴油機廠, the land user of the leased property, has not obtained the land use right certificate of the leased property.
 - (ii) The land of the leased property is of allocated nature where the land being leased to 廣州寶澤汽車銷售服務有限公司 for carrying out business of current business scope has no legal ground. After the land use right of the land has been granted to the relevant land use right user and the use of the land by 廣州寶澤汽車銷售服務有限公司 complies with the land use of the granted land confirmed by the relevant government authority, the land use right user or the lessor confirmed by the land use right user would have the right to lease the land to 廣州寶澤汽車銷售服務有限公司.
 - (iii) 廣州寶澤汽車銷售服務有限公司 will legally possess the building ownership of the building under construction after the completion of the construction works and obtaining the building ownership certificate.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
32	Factory Nos. 1 & 2 situated at the east of Jingdong Avenue High-tech Industrial Development Zone Nanchang City Jiangxi Province The PRC	<p>The property comprises two industrial buildings with a total gross floor area of approximately 5,834.16 sq m (62,799 sq ft) and a parcel of land with a site area of approximately 420 sq m (4,521 sq ft).</p> <p>The property is leased by 南昌寶澤汽車銷售服務有限公司 for 2 terms both expiring on 30 September 2010 at a total monthly rental of RMB55,891.78 (See Note (3)).</p>	<p>The property is currently occupied by 南昌寶澤汽車銷售服務有限公司 for office, storage and car parking uses.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 南昌金鐘汽車電子實業有限公司, an independent third party to the Group, and 南昌寶澤汽車銷售服務有限公司 dated 15 May 2009, Factory No. 1 with a total gross floor area of 2,917.08 sq m is leased from the former party to the latter party for a term from 1 June 2009 to 30 September 2010 at a monthly rental of RMB25,000.
- (2) Pursuant to a building and car parking area lease agreement and its supplementary agreement entered into between 南昌金鐘汽車電子實業有限公司 and 南昌寶澤汽車銷售服務有限公司 dated 24 September 2008 and 15 May 2009 respectively, Factory No. 2 with a total gross floor area of 2,917.08 sq m and a parcel of land with a site area of 420.00 sq m are leased from the former party to the latter party for a term of two years from 1 October 2008 to 30 September 2010 at a monthly rental of RMB28,733.24 (first year for the factory), RMB30,191.78 (second year for the factory) and RMB700 (for the land).
- (3) Pursuant to a building and car parking area lease agreement entered into between 南昌金鐘汽車電子實業有限公司 and 南昌寶澤汽車銷售服務有限公司 dated 29 September 2010, Factory No. 2 with a total gross floor area of 2,917.08 sq m and a parcel of land with a site area of 1,468 sq m are leased from the former party to the latter party for a term of 1 year from 1 October 2010 to 30 September 2011 at a total monthly rental of RMB40,142.96.
- (4) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) As at 30 September 2010, the lessor was the owner of the Factory No. 1 of the leased property and the lease agreement was legally valid and bound between both parties.
 - (ii) Lessor is the owner of the Factory No. 2 and the land of the leased property. The lease agreement is legally valid and bound between both parties.

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PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 September 2010
33	A property located at Fu 1 of No. 187 Hongduzhong Avenue Qingshanhu District Nanchang City Jiangxi Province The PRC	<p>The property comprises two buildings with a total gross floor area of approximately 857 sq m (9,225 sq ft), which were completed in 2005.</p> <p>The property is leased by 南昌寶澤汽車銷售服務有限公司 for a term from 1 May 2009 to 30 April 2011 at a total annual rental of RMB447,200.</p>	The property is currently occupied by 南昌寶澤汽車銷售服務有限公司 for car sales and staff canteen uses.	No commercial value

Notes:

- (1) Pursuant to two Military Real Estate Lease Contracts entered into between 江西省軍區南昌第二幹休所, an independent third party to the Group, and 南昌寶澤汽車銷售服務有限公司 dated 27 April 2009, two buildings with a total gross floor area of 857 sq m are leased from the former party to the latter party for a term from 1 May 2009 to 30 April 2011 at a total annual rental of RMB447,200.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor has not obtained the building ownership certificate of the leased property. The validity of the lease agreement cannot be determined. The Company has advised that 南昌寶澤汽車銷售服務有限公司 is preparing to vacate from the property and such removal during the lease term will not cause substantial adverse effect on its operation.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
34	4S shop No. 52 Zhujiang Road Longhu District Shantou City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,283.5 sq m (56,872 sq ft) and two buildings and ancillary structures, which were completed in about 2002 and 2006.</p> <p>The buildings comprise a car showroom with maintenance workshop and a dormitory with canteen with a total gross floor area of approximately 4,038.42 sq m (43,470 sq ft).</p> <p>The land of the property is leased by 汕頭市宏祥物資有限公司 for 2 lease terms. The first lease term is 15 years from 1 January 2001 to 31 December 2015 at a monthly rental of RMB15,322, inclusive of management fee, which will be increased by 10% for every 4 years. The second lease term is 8 years from 1 January 2016 to 31 December 2023 at a quarterly rental of RMB285,309 which will be increased by 10% for every 4 years.</p>	The property is currently occupied by 汕頭市宏祥物資有限公司 for 4S shop use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 汕頭市龍湖區新津街道辦事處南和居民委員會 and 汕頭市交通經濟發展總公司 dated 21 April 2000, a parcel of land with a site area of 5,283.5 sq m was leased from the former party to the latter party for a term of 15 years from 1 January 2001 to 31 December 2015 at a monthly rental of RMB15,322, inclusive of management fee, which would be increased by 10% for every 4 years.
- (2) Pursuant to a declaration dated 5 June 2002, the aforesaid leased land is used by 汕頭市宏祥物資有限公司 for car show room and 汕頭市宏祥物資有限公司 will pay the rental for the land to 汕頭市龍湖區新津街道南和社區居民委員會 directly and 汕頭市龍湖區新津街道南和社區居民委員會 agreed the arrangement.
- (3) Pursuant to a lease agreement entered into between 汕頭市龍湖區新津街道南和社區居民委員會, an independent third party to the Group, and 汕頭市宏祥物資有限公司 dated 24 June 2010, both parties agreed to extend the lease for another 8 years from 1 January 2016 to 31 December 2023 at a quarterly rental of RMB285,309 which will be increased by 10% for every 4 years.
- (4) The buildings and ancillary structures were built by 汕頭市宏祥物資有限公司.
- (5) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) The land of the leased property is of collective nature where the land being leased to 汕頭市宏祥物資有限公司 for carrying out business of current business scope has no legal ground. After the land has been performed the legal proceeding to be resumed as a state-owned land and has been granted to the relevant land use right user, and the use of the land by 汕頭市宏祥物資有限公司 complies with the land use of the granted land confirmed by the relevant government authority, the land use right user or the lessor confirmed by the land use right user would have the right to lease the land to 汕頭市宏祥物資有限公司.
 - (ii) Regarding the buildings without building ownership certificates, 汕頭市宏祥物資有限公司 will legally possess the building ownership after obtaining the building ownership certificates.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
35	Unit 109 on Level 1 Long Yuan Hai Wan Ya Yuan No. 288 Qinglv South Road Gongbei District Zhuhai City Guangdong Province The PRC	<p>The property comprises a shop with a gross floor area of approximately 701.78 sq m (7,554 sq ft), which was completed in 2004.</p> <p>The property is leased by 珠海寶澤汽車銷售服務有限公司 for a term of 2 years from 1 October 2008 to 30 September 2010 at a monthly rental of RMB84,000 and a renewal term from 1 October 2010 to 30 September 2013 at a monthly rental of RMB91,000.</p>	<p>The property is currently occupied by 珠海寶澤汽車銷售服務有限公司 for car sales use.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into among 俞開富 (“Lessor”), an independent third party to the Group, 珠海市一喬裝飾設計工程有限公司物業代理部 (“Agent”) and 珠海寶澤汽車銷售服務有限公司 (“Lessee”) dated 6 September 2008, a shop with a gross floor area of 701.78 sq m is leased for a term of 2 years from 1 October 2008 to 30 September 2010 at a monthly rental of RMB84,000.
- (2) The Lessor and the Lessee signed a lease agreement of the property dated 26 September 2010 for a term from 1 October 2010 to 30 September 2013 at a monthly rental of RMB91,000.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreements are legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
36	Area B 1# Show Room Nanping Science and Technological Industrial Park No. 1 Pingxisan Road Xiangzhou District Zhuhai City Guangdong Province The PRC	<p>The property comprises a building with a total gross floor area of approximately 2,300 sq m (24,757 sq ft) and an outdoor parking area, which was completed in 2003.</p> <p>The property is leased by 珠海寶澤汽車銷售服務有限公司 for a term of 2 years from 10 October 2008 to 9 October 2010 at a monthly rental of RMB69,000, exclusive of management fee, and a renewal term from 10 October 2010 to 9 October 2011 at a monthly rental of RMB52,900 and comprehensive service fee of RMB25,852.</p>	<p>The property is currently occupied by 珠海寶澤汽車銷售服務有限公司 for after-sale services use.</p>	No commercial value

Notes:

- (1) Pursuant to a lease contract entered into between 珠海華科汽車展覽中心有限公司, an independent third party to the Group, and 珠海寶澤汽車銷售服務有限公司 dated 6 September 2008, a property with a total gross floor area of 2,300 sq m and an outdoor parking area is leased from the former party to the latter party for a term of 2 years from 10 October 2008 to 9 October 2010 at a monthly rental of RMB69,000.
- (2) Pursuant to a lease contract entered into between 珠海華科汽車展覽中心有限公司 and 珠海寶澤汽車銷售服務有限公司 dated 30 September 2010, the property and the outdoor parking area is leased from the former party to the latter party for a term from 10 October 2010 to 9 October 2011 at a monthly rental of RMB52,900 and comprehensive service fee of RMB25,820.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreements are legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
37	Shop Nos. 4 and 6 on Xianlie Road Zhuhai City Guangdong Province The PRC	<p>The property comprises two shops with a total floor area of approximately 225.04 sq m (2,422 sq ft), which were completed in 2006.</p> <p>The property is leased by 珠海寶澤汽車銷售服務有限公司 for a term from 1 January 2010 to 14 September 2013 at a total monthly rental of RMB18,000 and the rental will be increased by 10% per annum from September 2010.</p>	The property is currently occupied by 珠海寶澤汽車銷售服務有限公司 for car sales use.	No commercial value

Notes:

- (1) Pursuant to a lease contract entered into between 陳明金, an independent third party to the Group, and 珠海寶澤汽車銷售服務有限公司 dated 1 January 2010, two shops with a total floor area of 225.04 sq m are leased from the former party to the latter party for a term from 1 January 2010 to 14 September 2013 at a total monthly rental of RMB18,000 and the rental will be increased by 10% per annum from September 2010.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at 30 September 2010
38	A property located at No.15 Huagang Avenue Huadu District Guangzhou City Guangdong Province The PRC	The property comprises a building with a gross floor area of approximately 3,500 sq m (37,674 sq ft), which was completed in 2008. The property is leased by 廣州風神物流有限公司 for a term from 1 February 2010 to 31 December 2010 at a total monthly rental of RMB45,500.	The property is currently occupied by 廣州風神物流有限公司 for storage use.	No commercial value

Notes:

- (1) Pursuant to a lease contract entered into between 廣州市花港博益物業管理有限公司, an independent third party to the Group, and 廣州風神物流有限公司 dated 10 January 2010, a building with a gross floor area of 3,500 sq m is leased from the former party to the latter party for a term from 1 February 2010 to 31 December 2010 at a total monthly rental of RMB45,500.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
39	A property located at No. 8 Fengshen Avenue Huadu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 17,508.60 sq m (188,463 sq ft) and a building which was completed in about 2009.</p> <p>The building comprises a distribution center with a gross floor area of approximately 15,761sq m (169,651 sq ft).</p> <p>The land of the property is leased by 廣州風神物流有限公司 for a term from 1 January 2010 to 31 December 2013 at a monthly rental of RMB64,781.82.</p>	The property is currently occupied by 廣州風神物流有限公司 for storage and distribution uses.	No commercial value

Notes:

- (1) Pursuant to a land lease agreement entered into between 廣州風神汽車有限公司, an independent third party to the Group, and 廣州風神物流有限公司 dated 1 January 2010, a parcel of land with a site area of 17,508.60 sq m is leased from the former party to the latter party for a term from 1 January 2010 to 31 December 2013 at a monthly rental of RMB64,781.82.
- (2) The building was built by 廣州風神物流有限公司.
- (3) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) The lease agreement is legally valid and bound between both parties.
 - (ii) Regarding the building without building ownership certificate, 廣州風神物流有限公司 will legally possess the building ownership after obtaining the building ownership certificate.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
40	Building 1 # to 4# of No.176 Gaoji Road Sijing Town Songjiang District Shanghai City The PRC	<p>The property comprises four buildings with a total gross floor area of approximately 12,072 sq m (129,943 sq ft).</p> <p>The property is leased by 廣州風神物流有限公司 for a term from 1 January 2010 to 1 January 2013 at a quarterly rental of RMB619,293 to be payable on quarterly basis.</p>	<p>The property is currently occupied by 廣州風神物流有限公司 for storage and logistic uses.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 上海神超鋸業製造有限公司, an independent third party to the Group, and 廣州風神物流有限公司 dated 5 November 2009, a property with a total gross floor area of 12,072 sq m is leased from the former party to the latter party for a term from 1 January 2010 to 1 January 2013 at a quarterly rental of RMB619,293.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

If the lessor has a legal granted state-owned land use right certificate and building ownership certificate and the use of the lease agreement complies with that stated in the state-owned land use right certificate, the lease agreement would be legally valid.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
41	A warehouse located on Lot 1MD on Checheng East Road Wuhan Economic and Technological Development Zone Wuhan City Hubei Province The PRC	<p>The property comprises a building with a total gross floor area of approximately 6,018.25 sq m (64,780 sq ft).</p> <p>The property is leased by 廣州風神物流有限公司 for a term from 15 June 2009 to 31 December 2010 at a monthly rental of RMB63,192.</p>	<p>The property is currently occupied by 廣州風神物流有限公司 for spare parts production and storage uses.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement dated 18 October 2009 and the amendment to the lease agreement entered into between 神龍汽車有限公司, an independent third party to the Group, and 廣州風神物流有限公司, a property with a total gross floor area of 6,018.25 sq m is leased from the former party to the latter party for a term from 15 June 2009 to 31 December 2010 at a monthly rental of RMB63,192.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

According to the Company’s advice, the property is located in the address that is registered on the state-owned land use right certificate and building ownership certificate held by 神龍汽車有限公司. Based on this, the lessor is the owner of the property and the lease agreement is legally valid and bound between both parties.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
42	Levels 1 and 2 of Unit No. 048 Zone B Yifa Logistic Park located on Luqiu Road Langfa Village Daxing District Beijing City The PRC	<p>The property comprises Levels 1 and 2 of Unit No. 048 with a total gross floor area of approximately 430 sq m (4,629 sq ft).</p> <p>The property is leased by 廣州風神物流有限公司 for a term from 15 September 2010 to 31 December 2010 at a total rental of RMB50,312.5.</p>	<p>The property is currently occupied by 廣州風神物流有限公司 for logistic use.</p>	No commercial value

Notes:

(1) Pursuant to a lease agreement entered into between 北京億發物流有限公司, an independent third party to the Group, and 廣州風神物流有限公司 dated 27 July 2009, a property with a total gross floor area of 430 sq m is leased from the former party to the latter party for a term from 15 September 2009 to 15 September 2010 at an annual rental of RMB97,826. According to a certificate dated 30 July 2010, both parties agreed to extend the lease from 15 September 2010 to 31 December 2010 at a total rental of RMB50,312.5.

(2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

If the lessor has a legal granted state-owned land use right certificate and building ownership certificate and the use of the lease agreement complies with that stated in the state-owned land use right certificate, the lease agreement would be legally valid.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
43	A warehouse Block 1 Wanli Logistic Park Zhengzhou City Henan Province The PRC	The property comprises a building with a gross floor area of approximately 5,475 sq m (58,933 sq ft). As advised by the Group, the property is leased by 鄭州風神物流有限公司 for a term from 13 April 2010 to 13 April 2011 at a monthly rental of RMB82,125 to be payable on quarterly basis.	The property is currently occupied by 鄭州風神物流有限公司 for storage use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 河南萬里物流有限公司, an independent third party to the Group, and 鄭州風神物流有限公司 dated 13 April 2010, a property with a gross floor area of 5,475 sq m is leased from the former party to the latter party for a term of 1 year from the completion of renovation at a monthly rental of RMB82,125 to be payable on quarterly basis.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor cannot produce the land use right certificate and building ownership certificate of the leased property. The validity of the lease agreement cannot be determined.
 - (ii) The Company has advised that if 鄭州風神物流有限公司 abandons to use the property during the lease term, it will not cause substantial adverse effect on the operation of 鄭州風神物流有限公司.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
44	A warehouse located on the north side of Beihuan Road Zhongmou County Zhengzhou City Henan Province The PRC	<p>The property comprises a building with a gross floor area of approximately 1,400 sq m (15,070 sq ft).</p> <p>The property is leased by 鄭州風神物流有限公司 for a term from 14 May 2010 to 13 May 2011 at an annual rental of RMB100,000.</p>	The property is currently occupied by 鄭州風神物流有限公司 for logistic use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 深圳中牟糧油食品有限公司, an independent third party to the Group, and 鄭州風神物流有限公司, a property with a gross floor area of approximately 1,400 sq m is leased from the former party to the latter party for a term of 1 year from 14 May 2010 to 13 May 2011 at an annual rental of RMB100,000.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor is the land user of the land of the leased property but the lessor has not obtained the building ownership certificate of the leased property. The validity of the lease agreement cannot be determined.
 - (ii) The Company has advised that if 鄭州風神物流有限公司 abandons to use the warehouse during the lease term, it will not cause substantial adverse effect on the operation of 鄭州風神物流有限公司.

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PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
45	A warehouse located at second villagers’ group Baisha Town Zhongmou County Zhengzhou City Henan Province The PRC	<p>The property comprises a land and a building with a total gross floor area of approximately 1,155 sq m (12,432 sq ft).</p> <p>The property is leased by 鄭州風神物流有限公司 for a term from 1 January 2010 to 31 December 2010 at a monthly rental of RMB6,930.</p>	<p>The property is currently occupied by 鄭州風神物流有限公司 for logistic use.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 鄭州鴻途貨物運輸有限公司, an independent third party to the Group, and 鄭州風神物流有限公司, a property with a gross floor area of 1,155 sq m and a land is leased from the former party to the latter party for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rental of RMB6,930.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor cannot produce the land use right certificate and building ownership certificate of the leased property. The validity of the lease agreement cannot be determined.
 - (ii) The Company has advised that if 鄭州風神物流有限公司 abandons to use the property during the lease term, it will not cause substantial adverse effect on the operation of 鄭州風神物流有限公司.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
46	A warehouse located at second villagers’ group Baisha Town Zhongmou County Zhengzhou City Henan Province The PRC	<p>The property comprises a land and a building with a gross floor area of approximately 13,557 sq m (145,928 sq ft).</p> <p>The property is leased by 鄭州風神物流有限公司 for a term from 1 January 2010 to 31 December 2010 at a monthly rental of RMB104,000.</p>	<p>The property is currently occupied by 鄭州風神物流有限公司 for logistic use.</p>	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 鄭州金運倉儲有限公司, an independent third party to the Group, and 鄭州風神物流有限公司 dated 3 March 2010, a property with a gross floor area of 13,557 sq m and a land is leased from the former party to the latter party for a term from 1 January 2010 to 31 December 2010 at a monthly rental of RMB104,000.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:
 - (i) Lessor cannot produce the land use right certificate and building ownership certificate of the leased property. The validity of the lease agreement cannot be determined.
 - (ii) The Company has advised that if 鄭州風神物流有限公司 abandons to use the property during the lease term, it will not cause substantial adverse effect on the operation of 鄭州風神物流有限公司.

APPENDIX IV

PROPERTY VALUATION

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
47	Unit 401A on Level 4 of Block B No.10 Fengshen Avenue Huadu District Guangzhou City Guangdong Province The PRC	<p>The property comprises a unit on Level 4 with a gross floor area of approximately 135.93 sq m (1,463 sq ft).</p> <p>The property is leased by 廣州東鐵汽車物流有限公司 for a term from 18 September 2010 to 17 June 2011 at a monthly rental of RMB5,573.</p>	The property is currently occupied by 廣州東鐵汽車物流有限公司 for office use.	No commercial value

Notes:

- (1) Pursuant to a lease agreement entered into between 廣州風神汽車產業基地開發有限公司, an independent third party to the Group, and 廣州東鐵汽車物流有限公司 dated 3 September 2010, an office unit with a gross floor area of 135.93 sq m is leased from the former party to the latter party for a term from 18 September 2010 to 17 June 2011 at a monthly rental of RMB5,573.
- (2) We have been provided with a legal opinion by the Group’s PRC legal advisor, which contains, inter-alia, the following:

Lessor is the owner of the leased property. The lease agreement is legally valid and bound between both parties.

APPENDIX V

TAXATION AND FOREIGN EXCHANGE

CAYMAN ISLANDS TAXATION

Taxation

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 Cabinet:

that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

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:

on or in respect of the shares, debentures or other obligations of the Company; or

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 is for a period of twenty years from 10 August 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.

PRC TAXATION

Enterprise Income Tax

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on 1 January 2008, the ordinary income tax rate for all PRC resident enterprises, including foreign-invested enterprises, is 25%. There will be a transitional period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the EIT Law.

Under the EIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises,” and are generally subjected to the uniform 25% enterprise income tax rate as to their global income. It is currently unclear under what situations an enterprise’s “de facto management body” would be considered to be located in China. Substantially all of our management is currently based in China. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes.

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TAXATION AND FOREIGN EXCHANGE

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax issued by the State Council and the implementation rules thereunder, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided.

Dividends paid by the Company to our foreign investors and the gain on the sale of our Shares

The EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” to the extent such dividends have their source within the PRC. The applicable tax rate has been reduced by the State Council to 10%. If we are considered a PRC “resident enterprise,” it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived within the PRC and be subject to PRC tax. Similarly, under the EIT Law and implementation regulations issued by the State Council, any gain on the transfer of equity interests is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC “resident enterprise,” it is unclear whether any gain realized from the transfer of our Shares by investors would be treated as income derived from a source within PRC and be subject to PRC tax.

Foreign Exchange

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulation.

Pursuant to the Foreign Currency Administrative Rules promulgated in 1996 and amended in 1997 and various regulations issued by the State Administration of Foreign Exchange, or SAFE, and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of SAFE or its local counterpart for the conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign currency receipts into Renminbi.

Pursuant to the SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or SAFE Circular No. 75, issued on 21 October 2005, (i) a PRC citizen residing in the PRC, or PRC resident, shall register with the local branch of SAFE before it establishes or controls an

APPENDIX V

TAXATION AND FOREIGN EXCHANGE

overseas special purpose vehicle, or overseas SPV, for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of SAFE. In May 2007, SAFE issued guidance to its local branches with respect to the procedures for SAFE registration, which strengthen the supervision on registrations pursuant to SAFE Circular No. 75 and imposes obligations on onshore subsidiaries of the overseas SPVs to coordinate and supervise the relevant PRC residents to complete registration.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including the imposition of fines or restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV.

HONG KONG TAXATION

Dividends

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 17.5% and on individuals at a maximum rate of 16.0%. The profits tax rate is proposed to be reduced from 17.5% to 16.5% and the standard rate of salaries tax from 16% to 15% in the 2008/2009 year of assessment. Gains from sales of the Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares registered on the Hong Kong register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00. Where a sale or purchase of Shares registered on the Hong

APPENDIX V**TAXATION AND FOREIGN EXCHANGE**

Kong register of members is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 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 11 February 2006.

**APPENDIX VI SUMMARY OF CONSTITUTION OF THE COMPANY
AND CAYMAN COMPANIES LAW**

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company’s objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

ARTICLES OF ASSOCIATION

The articles of association of the Company (the “Articles”) were adopted on 17 November 2010. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

APPENDIX VI **SUMMARY OF CONSTITUTION OF THE COMPANY
AND CAYMAN COMPANIES LAW**

(iii) *Compensation or payments for loss of office*

Payments 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 be approved by the Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

APPENDIX VI

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Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the [●] or [●] of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

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- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;
- (gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' 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.

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The Directors may grant special remuneration to any Director who performs any special or extra services to or 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 arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors 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 pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, 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) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be

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a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. 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 at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their 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 uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

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(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares 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 the shares to be consolidated, determine which particular shares are to be consolidated into a 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 Directors 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;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) 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;
- (v) 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 Companies Law, and so that the resolution whereby any shares are 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;
- (vi) change the currency of denomination of its share capital; and

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(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any 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 general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions - majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) 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 every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any

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particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors

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by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and

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an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of 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 in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

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(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors 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 Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members 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 entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without [●] any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

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(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money’s worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, 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 Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

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(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

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(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this document shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

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CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

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(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company’s share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company’s own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company’s issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

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(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court 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 court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must 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 memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of

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passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company’s affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members’ voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month’s notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

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FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 July 2010.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company’s constitution is set out in Appendix VI to this document.

2. Changes in share capital of our Company

(a) *Increase in authorised share capital*

As of the date of incorporation of our Company, the authorised share capital was HK\$100,000 divided into 1,000,000 Shares having a par value of HK\$0.10 each. On 9 July 2010, one subscriber Share was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Joy Capital on the same date. Our Company also allotted and issued another 999,999 nil-paid Shares to Joy Capital on the same date. The said 1,000,000 nil-paid Shares were subsequently credited as fully paid in the manner described in paragraph 4 below.

The authorised share capital of our Company was increased from HK\$100,000 to HK\$10 million by the creation of 90,000,000 new Shares pursuant to a resolution passed by the then sole Shareholder. Such authorised capital was further conditionally increased to HK\$2,000 million pursuant to a resolution passed by the then Sole Shareholder referred to in paragraph 3 below and subject to the conditions contained therein.

Save as disclosed in this paragraph and in the paragraphs headed “Resolutions in writing of the sole Shareholder passed on 17 November 2010” and “Group Reorganization” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 17 November 2010

By resolutions in writing of the sole Shareholder passed on 17 November 2010:

(a) the Articles were approved and adopted;

(b) conditional on [●]:

(i) the authorised share capital of our Company was increased from HK\$10 million to HK\$2,000 million by the creation of 19,900 million new Shares;

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- (ii) [●];
- (iii) (aa) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme, and (bb) the rules of the Pre-[●] Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-[●] Share Option Scheme” of this appendix, were formally approved and adopted, and that the Board (or any committee thereof established by the Board) was authorised, in its absolute discretion, to grant options to subscribe for Shares thereunder and conditional on the [●] issued pursuant to the exercise of the Pre-[●] Share Options on or before the date falling 30 days after the date of this document, to allot, issue and deal with Shares pursuant to the exercise of the Pre-[●] Share Options;
- (iv) [●];
- (v) a general mandate (the “Issuing Mandate”) was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of Pre-[●] Share Options or any options which may be granted under the Share Option Scheme or under the [●], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of [●]; and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

4. Group Reorganization and history

(a) *Group Reorganisation*

The companies comprising our Group underwent a Reorganization to rationalise our Group’s structure which involved the following:

- (1) on 9 July 2010, our Company was incorporated in the Cayman Islands as an exempted company under the Companies Law with an authorised share capital of HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. On 9 July 2010, one subscriber Share was transferred by its subscriber to Joy Capital at nil consideration and an aggregate of 999,999 Shares were allotted and issued at nil paid by us to Joy Capital;

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- (2) on 3 September 2010, Big Glory disposed of Richie Wide (a dormant company) to Siu Yuen Man at a consideration of HK\$100 (which was determined based on the aggregate par value of the issued share capital of Richie Wide). Following such disposal, Richie Wide was excluded from our Group;
- (3) As Shanghai Yige is not engaged in 4S Businesses, it is not subject to the 30 Dealerships Limitation and thus need not be covered under the Contractual Arrangements. Control over this company is secured by changing it to be equity-held by Wuhan Jietong instead. By an equity transfer agreement dated 7 July 2010 made between Hubei Shengze (as transferor) and Wuhan Jietong (as transferee), Wuhan Jietong agreed to purchase 50% equity interest in Shanghai Yige from Hubei Shengze at a consideration of RMB 7,500,000. The filing of such changes with the relevant administration of industry and commerce was effected on 31 August 2010.
- (4) on 17 November 2010, all the agreements constituting the Contractual Arrangements (being the material contracts (1) to (120) referred to in paragraph 9 of this Appendix) were entered into between (i) Rising Wave or Wuhan Jietong, as the case may be, on the one part and (ii) the relevant members of the Operating Group or their respective equity-holders on the other part (for further details, please see the section headed “Contractual Arrangements” in this document); and
- (5) on 17 November 2010, our Company acquired from Joy Capital an aggregate of 100 shares of US\$1 each in the share capital of Big Glory, being its entire issued share capital in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 99,000,000 Shares to Joy Capital; and (ii) credited as fully paid at par the 1 million nil-paid Shares then held by Joy Capital.

Please also refer to the section headed “Our history and reorganisation — Reorganisation” for other steps taken in connection with our Reorganisation. Upon completion of the Reorganization, our Company became the holding company of the Equity-held Group and also acquired control over the Operating Group. Please refer to third group chart shown in the section headed “Our History and Reorganisation — Shareholding and corporate changes of our Group during the Track Record Period” of this document for the Group chart upon completion of the Reorganisation.

(b) ***Group history***

(i) *Our Company*

Our Company was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability engaged in investment holding. At the time of its incorporation, the authorised share capital of our Company was HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each.

(ii) *Big Glory*

Big Glory was incorporated in BVI on 22 June 2006 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. Big Glory is engaged in investment holding. On

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21 August 2006, one share was issued to Joy Capital. Since that date and up to 30 August 2010, the sole shareholder of Big Glory was Joy Capital. On 30 August 2010, 0.010051 shares in Big Glory (then representing 1.0051% of Big Glory's issued share capital) was transferred by Joy Capital to Basetex at a consideration of HK\$50 million, pursuant an agreement dated 12 August 2010 and made between (among other parties) Joy Capital as vendor and Basetex as purchaser. On 29 September 2010, 99 new shares in Big Glory was issued by Big Glory to Joy Capital by way of capitalisation of certain loans in the sum of about HK\$96.4 million owing by Big Glory to Joy Capital. On the same date, 0.995049 shares in Big Glory were transferred from Joy Capital to Basetex in order to maintain Basetex's shareholding in Big Glory at the proportion of 1.0051%. On 22 October 2010, 1.0051 shares in Big Glory were transferred by Basetex to Joy Capital at the consideration of HK\$50 million (plus interest accruing for deferred payment at the rate of 20% per annum), pursuant to an agreement dated the same date and made between (among other parties) Joy Capital as purchaser and Basetex as vendor. Following completion of such sale and purchase and up to 17 November 2010, Big Glory remained to be solely owned by Joy Capital.

As a step of Reorganisation, on 3 September 2010, Big Glory disposed of its entire shareholding in Richie Wide, a company incorporated in Hong Kong which has remained dormant since its incorporation, to Siu Yuen Man at a consideration of HK\$100. Since then, Richie Wide has been excluded from our Group.

As a further step of the Reorganisation, our Company acquired the entire issued share capital of Big Glory (being US\$100 comprising 100 shares having a par value of US\$1) on 17 November 2010. Since then, Big Glory has become the intermediate holding company of our Group.

(iii) *Rising Wave*

Rising Wave was incorporated in Hong Kong on 21 April 2006 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Since its incorporation and up to the Latest Practicable Date, the sole shareholder of Rising Wave has been Big Glory, holding its entire issued share capital of HK\$100 divided into 100 shares of HK\$1 each.

Rising Wave is engaged in investment holding. As part of the expansion plan of our Group, by an agreement dated 28 June 2010 entered into between Rising Wave (as purchaser) and Shao Yong Jun (as vendor, a director of Guangzhou Fengshen), Rising Wave agreed to acquire the entire issued share capital in Tongda Group (China), thereby indirectly acquiring the 30% equity interest in Guangzhou Fengshen held by Tongda Group (China). The completion of the above acquisition took place as of 29 June 2010. Since then, an aggregate of 50% equity interest in Guangzhou Fengshen has been owned by our Company. Guangzhou Fengshen has since then been treated as a jointly-controlled entity of our Company.

The consideration under the above agreement for the acquisition of the entire issued share capital in Tongda Group (China) is set out below:

- (a) following completion, Rising Wave as purchaser shall procure Tongda Group (China) to pay RMB 41 million to Far Ocean SCM Technology (Hong Kong) Limited, the company from which Tongda Group (China) acquired 30% equity interest in Guangzhou Fengshen; and

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- (b) if the above RMB 41 million is not yet settled by 30 September 2010, Rising Wave shall settle such amount on behalf of Tongda Group (China) in cash.

As at the Latest Practicable Date, the above consideration of RMB 41 million has already been settled by Tongda Group (China).

(iv) *Wuhan Jietong*

Wuhan Jietong was established on 22 November 2002 with a registered capital of RMB 20 million. At the time of its incorporation, it was held as to 80% of its equity interest by Hubei Shengze and as to 20% of its equity interest by Wuhan Xinboheng Trading Co., Limited* (武漢欣博恒貿易有限公司) (“Wuhan Xinboheng”), then held as to 90% by Hubei Shengze and currently an Independent Third Party.

On 30 August 2006, Rising Wave (as purchaser) entered into two equity transfer agreements with Hubei Shengze (as transferor) and Wuhan Xinboheng (as transferor) respectively for acquiring (i) 80% equity interest in Wuhan Jietong from Hubei Shengze at a consideration of RMB 16 million, based on the amount of registered capital in Wuhan Jietong attributed to Hubei Shengze; and (ii) 20% equity interest in Wuhan Jietong from Wuhan Xinboheng at a consideration of RMB 4 million, based on the amount of registered capital in Wuhan Jietong attributed to Wuhan Xinboheng. Since 7 September 2006 and as at the Latest Practicable Date, Wuhan Jietong has been a wholly foreign-owned enterprise with Rising Wave as its sole equity holder.

On 5 February 2008, the registered capital of Wuhan Jietong was increased to RMB 29 million, which was further increased to RMB 40 million on 4 May 2008 and has been fully paid up as at the Latest Practicable Date.

Wuhan Jietong is now principally engaged in storage, logistics services and sales of automobile accessories.

(v) *Guangzhou Fengshen*

Guangzhou Fengshen was established on 3 September 2002 with a registered capital of RMB 5 million. At the time of its incorporation, Guangzhou Fengshen was held by two Independent Third Parties.

By an equity transfer agreement dated 16 May 2009 entered into between Wuhan Jietong as purchaser and Dong Feng (Shiyan) Enterprises Company Limited* (東風(十堰)實業有限公司, an Independent Third Party) as vendor, Wuhan Jietong acquired 10% equity interest in Guangzhou Fengshen from the above Independent Third Party at a consideration of RMB 17 million. By an equity transfer agreement dated 16 May 2009 entered into between Wuhan Jietong as purchaser and Dong Feng Automobile Real Estate Company Limited* (東風汽車房地產有限公司, an Independent Third Party) as vendor, Wuhan Jietong acquired 10% equity interest in Guangzhou Fengshen from the above Independent Third Party at a consideration of RMB 17 million. The said considerations were based on the net assets value of Guangzhou Fengshen as of 31 December 2007. Since 4 December 2009,

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Guangzhou Fengshen became owned as to 20% by Wuhan Jietong, and remained owned as to 30% by Far Ocean SCM Technology (Hong Kong) Limited (遠洋供應鏈技術(香港)有限公司) (“Far Ocean”) and as to 50% by Shenzhen Dong Feng Real Estate Company Limited* (深圳東風置業有限公司) (“Shenzhen Dong Feng”).

By an equity transfer agreement dated 12 March 2010 entered into between Far Ocean, an Independent Third Party as (transferor) and Tongda Group (China) as (transferee), the Independent Third Party transferred all its equity interest (30%) in Guangzhou Fengshen to Tongda Group (China) at a consideration of RMB 1. Since 2 June 2010, Guangzhou Fengshen became owned as to 30% by Tongda Group (China), and remained owned as to 20% by Wuhan Jietong and as to 50% by Shenzhen Dong Feng. Since the completion of the acquisition of the entire issued share capital of Tongda Group (China) by Rising Wave as of 29 June 2010, Guangzhou Fengshen has become owned as to an aggregate of 50% by our Group and has since then been treated as a jointly-controlled entity of our Company.

As at the Latest Practicable Date, the registered capital of Guangzhou Fengshen was RMB 60 million, which was fully paid up. Guangzhou Fengshen is principally engaged in logistics and storage.

(vi) *Shanghai Yige*

On 25 September 2002, Shanghai Yige was established by Hubei Shengze and Inner Mongolia Huadun Auto-trading Company Limited* (內蒙古華頓汽車貿易有限公司, which has been deregistered at present) (“Inner Mongolia Huadun”) with an initial registered capital of RMB 15 million, which was owned as to 90% by Hubei Shengze and as to 10% by Inner Mongolia Huadun. Shanghai Yige is now principally engaged in trading business (lubricant oil for passenger car vehicle). Its registered capital has remained unchanged at RMB 15 million as at the Latest Practicable Date.

By an equity transfer agreement dated 5 March 2008 entered into between Inner Mongolia Huadun (as transferor) and Shanghai Shenxie (as transferee), Shanghai Shenxie acquired 10% equity interest in Shanghai Yige from Inner Mongolia Huadun at a consideration of RMB 1.5 million, based on the amount of registered capital of Shanghai Yige attributed to Inner Mongolia Huadun. Following completion of the said transfer since 3 March 2008, Shanghai Yige became owned as to 10% by Shanghai Shenxie and as to 90% by Hubei Shengze.

By an equity transfer agreement dated 28 August 2008 entered into between Hubei Shengze (as transferor), Shanghai Shenxie (as transferor) and Yelin Trading (Shanghai) Company Limited* (葉林貿易(上海)有限公司, an Independent Third Party) (as transferee), Hubei Shengze transferred part of its equity interest (40%) in Shanghai Yige to the above Independent Third Party at a consideration of RMB 6 million, based on the proportional amount of registered capital of Shanghai Yige attributed to Hubei Shengze, while Shanghai Shenxie transferred its 10% equity interest in Shanghai Yige to the above Independent Third Party at a consideration of RMB 1.5 million, based on the amount of registered capital of Shanghai Yige attributed to Shanghai Shenxie. Following completion of the said transfer since 24 December 2008, Shanghai Yige became owned as to 50% by Hubei Shengze and as to 50% by the above Independent Third Party.

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As Shanghai Yige is not engaged in 4S Businesses, it is not subject to the 30 Dealerships Limitation and thus need not be covered under the Contractual Arrangements. Control over this company is secured by changing it to be equity-held by Wuhan Jietong instead. By an equity transfer agreement dated 7 July 2010 made between Hubei Shengze (as transferor) and Wuhan Jietong (as transferee), Wuhan Jietong agreed to purchase 50% equity interest in Shanghai Yige from Hubei Shengze at a consideration of RMB 7.5 million, based on the amount of registered capital of Shanghai Yige attributable to Hubei Shengze. The filing of such changes with the relevant administration of industry and commerce was effected on 31 August 2010. Since then, Shanghai Yige has remained as a subsidiary of our Company.

(vii) *Zhuhai Baoze*

On 27 June 2008, Zhuhai Baoze was established by Wuhan Baoze and Changsha Ruibao with an initial registered capital of RMB 10 million, which was owned as to 80% by Wuhan Baoze and as to 20% by Changsha Ruibao. Zhuhai Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital amounted to RMB 30 million as at the Latest Practicable Date.

On 4 November 2009, Hubei Shengze entered into two equity transfer agreements with Wuhan Baoze and Changsha Ruibao respectively, pursuant to which Hubei Shengze acquired 80% equity interest in Zhuhai Baoze from Wuhan Baoze at a consideration of RMB 8 million and 20% equity interest in Zhuhai Baoze from Changsha Ruibao at a consideration of RMB 2 million, being the amount of registered capital in Zhuhai Baoze attributed to Wuhan Baoze and Changsha Ruibao respectively. Following the completion of the said transfers on 25 November 2009 and as at the Latest Practicable Date, Zhuhai Baoze has been wholly owned by Hubei Shengze.

On 21 October 2010, Hubei Shengze contributed additional registered capital in Zhuhai Baoze by RMB 20 million. Following completion of the said increase, the registered capital of Zhuhai Baoze became RMB 30 million.

(viii) *Inner Mongolia Dingjie*

Inner Mongolia Dingjie was established on 23 January 2003 with an initial registered capital of RMB 10 million, which was owned as to 80% by Hubei Shengze and as to 20% by Wuhan Xinboheng. Inner Mongolia Dingjie is now principally engaged in sales of automobiles and related services (Dongfeng Nissan). Its registered capital after demerger became RMB 7 million and has remained unchanged as at the Latest Practicable Date.

By an equity transfer agreement dated 8 December 2003 entered into between Hubei Shengze (as transferor) and Inner Mongolia Huadun (as transferee), Hubei Shengze transferred part of its equity interest (32%) in Inner Mongolia Dingjie to Inner Mongolia Huadun at a consideration of RMB 3.2

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million, based on the registered capital in Inner Mongolia attributed to Hubei Shengze. Following completion of the said transfer since 27 December 2003, Inner Mongolia Dingjie became owned as to 48% by Hubei Shengze, as to 20% by Wuhan Xinboheng and as to 32% by Inner Mongolia Huadun.

By an equity transfer agreement dated 10 October 2007 entered into between Hubei Shengze (as transferee) and Inner Mongolia Huadun (as transferor), Hubei Shengze acquired from Inner Mongolia Huadun its 32% equity interest in Inner Mongolia Dingjie at a consideration of RMB 3.2 million, based on the amount of registered capital in Inner Mongolia Dingjie attributed to Hubei Shengze. Following completion of the said transfer since 12 November 2007, Inner Mongolia Dingjie became owned as to 80% by Hubei Shengze and as to the remaining 20% by Wuhan Xinboheng.

By an equity transfer agreement dated 8 April 2008 entered into between Hubei Dingjie (as transferee) and Wuhan Xinboheng (as transferor), Hubei Dingjie acquired from Wuhan Xinboheng its 20% equity interest in Inner Mongolia Dingjie at a consideration of RMB 2 million, based on the amount of registered capital in Inner Mongolia Dingjie attributed to Wuhan Xinboheng. Following completion of the said transfer since 20 April 2008, Inner Mongolia Dingjie became owned as to 80% by Hubei Shengze and as to the remaining 20% by Hubei Dingjie.

By an equity transfer agreement dated 12 November 2009 entered into between Hubei Dingjie (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired from Hubei Dingjie its 20% equity interest in Inner Mongolia Dingjie at a consideration of RMB2 million, based on the amount of registered capital in Inner Mongolia Dingjie attributed to Hubei Dingjie. Following completion of the said transfer since 24 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Inner Mongolia Dingjie.

(ix) *Hubei Dingjie*

On 12 December 2002, Hubei Dingjie was established by Hubei Shengze and Wuhan Xinboheng with an initial registered capital of RMB 30 million, which was owned as to 80% by Hubei Shengze and as to 20% by Wuhan Xinboheng. Hubei Dingjie is now principally engaged in sales of automobiles and related services (Audi). Its registered capital amounted to RMB 55 million as at the Latest Practicable Date.

By an equity transfer agreement dated 30 May 2007 entered into between Hubei Shengze (as transferor) and Beijing Jiaruiya (as transferee), Hubei Shengze transferred its 80% equity interest in Hubei Dingjie to Beijing Jiaruiya at a consideration of RMB 24 million, based on the amount of registered capital in Hubei Dingjie attributed to Hubei Shengze. Following completion of the said transfer since 13 June 2007, Hubei Dingjie became owned as to 80% by Beijing Jiaruiya and as to 20% by Wuhan Xinboheng.

By an equity transfer agreement dated 7 April 2008 entered into between Wuhan Xinboheng (as transferor) and Changsha Ruibao (as transferee), Changsha Ruibao acquired 20% equity interest in Hubei Dingjie from Wuhan Xinboheng at a consideration of RMB 6 million, based on the amount of registered capital in Hubei Dingjie attributed to Wuhan Xinboheng. Following completion of the said transfer since 16 April 2008, Hubei Dingjie became owned as to 80% by Beijing Jiaruiya and as to 20% by Changsha Ruibao.

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By an equity transfer agreement dated 6 November 2009 entered into between Beijing Jiaruiya (as transferor), Changsha Ruibao (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired (i) 20% equity interest in Hubei Dingjie from Changsha Ruibao at a consideration of RMB 6 million, based on the amount of registered capital of Hubei Dingjie attributed to Changsha Ruibao; and (ii) 80% equity interest in Hubei Dingjie from Beijing Jiaruiya at a consideration of RMB 24 million, based on the registered capital of Hubei Dingjie attributed to Beijing Jiaruiya. Following completion of the said transfers on 19 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Hubei Dingjie.

On 15 October 2010, Hubei Shengze contributed additional registered capital in Hubei Dingjie by RMB 30 million. Following completion of the said increase, the registered capital of Hubei Dingjie became RMB 55 million.

(x) *Hubei Xinrui*

On 18 March 2004, Hubei Xinrui was established by Hubei Dingjie and Hubei Bocheng with an initial registered capital of RMB 10 million, which was owned as to 60% by Hubei Dingjie and as to 40% by Hubei Bocheng. Hubei Xinrui is now principally engaged in sales of automobiles and related services (Beijing Hyundai). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

By an equity transfer agreement dated 25 February 2009 entered into between Hubei Dingjie (as transferor) and Cao Limin (as transferee, an executive Director) (“**Mr Cao**”), Hubei Dingjie transferred its 60% equity interest in Hubei Xinrui to Mr Cao at a consideration of RMB 6 million, based on the amount of registered capital in Hubei Xinrui attributed to Hubei Dingjie. By an equity transfer agreement dated 25 February 2009 entered into between Hubei Bocheng (as transferor) and Li Zubo (as transferee, an executive Director) (“**Mr Li**”), Hubei Bocheng transferred its 40% equity interest in Hubei Xinrui to Mr Li at a consideration of RMB 4 million, based on the amount of registered capital in Hubei Xinrui attributed to Hubei Bocheng. Following completion of the said transfers since 26 February 2009, Hubei Xinrui became owned as to 60% by Mr Cao and as to 40% by Mr Li.

By an equity transfer agreement dated 8 May 2009 entered into between Hubei Dingjie (as transferee) and Mr Cao (as transferor), Mr Cao transferred his 60% equity interest in Hubei Xinrui to Hubei Dingjie at a consideration of RMB 6 million, based on the amount of registered capital in Hubei Xinrui attributed to Mr Cao. By an equity transfer agreement dated 8 May 2009 entered into between Hubei Bocheng (as transferee) and Mr Li (as transferor), Mr Li transferred his 40% equity interest in Hubei Xinrui to Hubei Bocheng at a consideration of RMB 4 million, based on the amount of registered capital in Hubei Xinrui attributed to Mr Li. Following completion of the said transfers since 8 June 2009, Hubei Xinrui became owned as to 60% by Hubei Dingjie and as to 40% by Hubei Bocheng.

By an equity transfer agreement dated 27 October 2009 entered into between Hubei Dingjie (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 60% equity interest in Hubei

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Xinrui from Hubei Dingjie at a consideration of RMB 6 million, based on the amount of registered capital of Hubei Xinrui attributed to Hubei Dingjie. Following completion of the said transfer since 27 October 2009, Hubei Xinrui became owned as to 60% by Hubei Shengze and as to 40% by Hubei Bocheng.

By an equity transfer agreement dated 3 November 2009 entered into between Hubei Bocheng (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 40% equity interest in Hubei Xinrui from Hubei Bocheng at a consideration of RMB 4 million, based on the amount of registered capital of Hubei Xinrui attributed to Hubei Bocheng. Following completion of the said transfer on 11 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Hubei Xinrui.

(xi) *Changsha Ruibao*

On 21 June 2005, Changsha Ruibao was established by Beijing Jiaruiya and Hubei Xinrui with an initial registered capital of RMB 10 million, which was owned as to 60% by Beijing Jiaruiya and as to 40% by Hubei Xinrui. Changsha Ruibao is now principally engaged in sales of automobiles and related services (BMW). Its registered capital amounted to RMB 20 million as at the Latest Practicable Date.

By an equity transfer agreement dated 4 November 2009 entered into between Beijing Jiaruiya (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 60% equity interest in Changsha Ruibao from Beijing Jiaruiya at a consideration of RMB 6 million, based on the amount of registered capital of Changsha Ruibao attributed to Beijing Jiaruiya. By an equity transfer agreement dated 4 November 2009 entered into between Hubei Xinrui (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 40% equity interest in Changsha Ruibao from Hubei Xinrui at a consideration of RMB 4 million, based on the amount of registered capital of Changsha Ruibao attributed to the Hubei Xinrui. Following completion of the said transfers on 23 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Changsha Ruibao.

On 21 September 2010, Hubei Shengze contributed additional registered capital in Changsha Ruibao by RMB 12 million. Following completion of the said increase, the registered capital in Changsha Ruibao became RMB 20 million.

(xii) *Beijing Baozehang*

On 16 October 2009, Beijing Baozehang was established by Beijing Jiaruiya and Hubei Shengze with an initial registered capital of RMB 10 million, which was owned as to 10% by Beijing Jiaruiya and as to 90% by Hubei Shengze. Beijing Baozehang is now principally engaged in sales of automobiles and related services (BMW). Its registered capital amounted to RMB 90 million as at the Latest Practicable Date.

By an equity transfer agreement dated 5 January 2010 entered into between Hubei Shengze (as transferee) and Beijing Jiaruiya (as transferor), Hubei Shengze acquired 10% equity interest in Beijing

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Baozehang from Beijing Jiaruiya at a consideration of RMB 1 million, based on the amount of registered capital in Beijing Baozehang attributed to Beijing Jiaruiya. Following completion of the said transfer on 13 January 2010 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Beijing Baozehang.

On 21 September 2010, Hubei Shengze contributed additional registered capital in Beijing Baozehang by RMB 80 million. Following completion of the said increase, the registered capital of Beijing Baozehang became RMB 90 million.

(xiii) *Wuhan Baoze*

On 26 May 2004, Wuhan Baoze was established by Wang Weize and Xu Ling, both being members of the Wang Family with an initial registered capital of RMB 10 million, which was owned as to 90% by Wang Weize and as to 10% by Xu Ling. Wuhan Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital amounted to RMB 70 million as at the Latest Practicable Date.

By an equity transfer agreement dated 6 August 2004 entered into between Xu Ling (as transferee) and Wang Weize (as transferor), Xu Ling acquired 90% equity interest in Wuhan Baoze from Wang Weize at a consideration of RMB 9 million, based on the amount of registered capital of Wuhan Baoze attributed to Wang Weize. In addition, Hubei Shengze, Hubei Dingjie and Wuhan Jietong (then known as Wuhan Jietong Trading Company Limited* (武漢捷通貿易有限公司)) contributed additional registered capital of Wuhan Baoze by RMB 27 million, RMB 14 million and RMB 9 million respectively. Following completion of the said transfer and increase in the registered capital of Wuhan Baoze to RMB 60 million since 11 August 2004, Wuhan Baoze became owned as to 45% by Hubei Shengze, as to approximately 23.33% by Hubei Dingjie, as to 15% by Wuhan Jietong and as to approximately 16.67% by Xu Ling.

By an equity transfer agreement dated 11 June 2007 entered into between Hubei Shengze (as transferor) and Hubei Xinrui (as transferee), Hubei Xinrui acquired 45% equity interest in Wuhan Baoze from Hubei Shengze at a consideration of RMB 27 million, based on the amount of registered capital in Wuhan Baoze attributed to Hubei Shengze. By an equity transfer agreement dated 11 June 2007 entered into between Xu Ling (as transferor) and Hubei Xinrui (as transferee), Hubei Xinrui acquired about 16.67% equity interest in Wuhan Baoze from Xu Ling at a consideration of RMB 10 million, based on the amount of registered capital in Wuhan Baoze attributed to Hubei Shengze. Following completion of the said transfers and since 13 June 2007, Wuhan Baoze became owned as to about 61.67% by Hubei Xinrui, as to approximately 23.33% by Hubei Dingjie, and as to 15% by Wuhan Jietong.

By three several equity transfer agreements dated 3 November 2009, Hubei Shengze acquired (i) about 61.67% equity interest in Wuhan Baoze from Hubei Xinrui at a consideration of RMB 37 million, based on the amount of registered capital of Wuhan Baoze attributed to Hubei Xinrui; (ii) about 23.33% equity interest in Wuhan Baoze from Hubei Dingjie at a consideration of RMB 14 million, based on the amount of registered capital of Wuhan Baoze attributed to Hubei Dingjie; and

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(iii) 15% equity interest in Wuhan Baoze from Wuhan Jietong at a consideration of RMB 9 million, based on the amount of registered capital of Wuhan Baoze attributed to Wuhan Jietong. Following completion of the said transfers on 12 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Wuhan Baoze.

On 21 September 2010, Hubei Shengze contributed additional registered capital in Wuhan Baoze by RMB 20 million. Following completion of the said increase, the registered capital of Wuhan Baoze became RMB 70 million.

(xiv) *Dongguan Jieyunhang*

On 6 July 2009, Dongguan Jieyunhang was established by Hubei Shengze and Lin Cheng (an Independent Third Party) with an initial registered capital of RMB 10 million, which was owned as to 75% by Hubei Shengze and as to 25% by Lin Cheng. As at the Latest Practicable Date, Dongguan Jieyunhang remained to be owned as to 75% by Hubei Shengze and as to 25% by an Independent Third Party.

By an equity transfer agreement dated 3 August 2010 entered into between Lin Cheng as (transferor) and Basetex, an Independent Third Party as (transferee), Lin Cheng agreed to transfer all his 25% equity interest in Dongguan Jieyunhang to Basetex at a consideration of RMB 2.5 million, based on the amount of registered capital of Dongguan Jieyunhang attributable to Lin Cheng. Up to the Latest Practicable Date, such transfer was pending approval by local commerce department and has not yet been completed.

Dongguan Jieyunhang is now principally engaged in sales of automobiles and related services (Porsche). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

(xv) *Shanghai Shenxie*

On 21 April 1999, Shanghai Shenxie was established by Shiyan Shengze Resources Trading Company Limited* (十堰市聖澤物資貿易有限公司) then held by Hubei Shengze and which has already been deregistered at present ("Shiyan Resources") and Sun Yaxian (an Independent Third Party) with an initial registered capital of RMB 600,000, which was owned as to approximately 66.7% by Shiyan Resources and as to approximately 33.3% by Sun Yaxian. Shanghai Shenxie is now principally engaged in sales of automobiles and related services (Dongfeng Nissan). Its registered capital, after certain demerger process, became RMB 50 million and remained unchanged as at the Latest Practicable Date.

Immediately prior to the acquisition by Hubei Shengze in September 2001, Shanghai Shenxie was held by Shiyan Resources and Chen Jun, an Independent Third Party. By an equity transfer agreement dated 18 September 2001 entered into between Chen Jun (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 10% equity interest in Shanghai Shenxie from Chen Jun at a consideration of RMB 260,000, based on the amount of registered capital of Shanghai Shenxie attributed to Chen Jun. In addition, Hubei Shengze and Shiyan Resources contributed additional

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registered capital of Shanghai Shenxie by RMB 42.24 million and RMB 10.16 million respectively. Following completion of the said transfer and increase in the registered capital of Shanghai Shenxie to RMB 55 million since 26 December 2001, Shanghai Shenxie became owned as to approximately 77.3% and as to approximately 22.7% respectively by Hubei Shengze and Shiyan Resources.

By an equity transfer agreement dated 16 May 2005 entered into between Shiyan Resources (as transferor) and Hubei Dingjie (as transferee), Hubei Dingjie acquired approximately 22.7% equity interest in Shanghai Shenxie from Shiyan Resources at a consideration of RMB 12.5 million, based on the amount of registered capital of Shanghai Shenxie attributed to Shiyan Resources. Following completion of the said transfer since 1 June 2005, Shanghai Shenxie became owned as to approximately 77.3% and as to approximately 22.7% respectively by Hubei Shengze and Hubei Dingjie.

By an equity transfer agreement dated 20 June 2005 entered into between Hubei Shengze (as transferor) and Zhang Zhen (as transferee, an Independent Third Party), Hubei Shengze transferred approximately 77.3% equity interest in Shanghai Shenxie to Zhang Zhen at a consideration of RMB 42.5 million, based on the amount of registered capital of Shanghai Shenxie attributed to Hubei Shengze. Following completion of the said transfer since 12 July 2005, Shanghai Shenxie became owned as to approximately 77.3% and as to approximately 22.7% respectively by Zhang Zhen and Hubei Dingjie.

By an equity transfer agreement dated 15 November 2005 entered into between Hubei Shengze (as transferee) and Zhang Zhen (as transferor), Hubei Shengze acquired approximately 77.3% equity interest in Shanghai Shenxie from Zhang Zhen at a consideration of RMB 42.5 million, based on the amount of registered capital of Shanghai Shenxie attributed to Zhang Zhen. Following completion of the said transfer since 12 December 2005, Shanghai Shenxie became owned as to approximately 77.3% and as to approximately 22.7% respectively by Hubei Shengze and Hubei Dingjie.

By an equity transfer agreement dated 5 November 2009 entered into between Hubei Shengze (as transferee) and Hubei Dingjie (as transferor), Hubei Shengze acquired approximately 22.7% equity interest in Shanghai Shenxie from Hubei Dingjie at a consideration of RMB 12.5 million, based on the amount of registered capital of Shanghai Shenxie attributed to Hubei Dingjie. Following completion of the said transfer on 10 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Shanghai Shenxie.

(xvi) Chenzhou Ruibao

On 6 September 2006, Chenzhou Ruibao was established by Changsha Ruibao and Beijing Jiaruiya with an initial registered capital of RMB 6 million, which was owned as to 90% by Changsha Ruibao and as to 10% by Beijing Jiaruiya. Chenzhou Ruibao is now principally engaged in sales of automobiles and related services (BMW). Its registered capital has remained unchanged at RMB 6 million as at the Latest Practicable Date.

By an equity transfer agreement dated 4 November 2009 entered into between Changsha Ruibao (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 90% equity interest in Chenzhou Ruibao from Changsha Ruibao at a consideration of RMB 5.4 million, based on the amount

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of registered capital of Chenzhou Ruibao attributed to Changsha Ruibao. By an equity transfer agreement dated 4 November 2009 entered into between Beijing Jiaruiya (as transferor) and Hubei Shengze (as transferee), Hubei Shengze acquired 10% equity interest in Chenzhou Ruibao from Beijing Jiaruiya at a consideration of RMB 600,000, based on the amount of registered capital of Chenzhou Ruibao attributed to Beijing Jiaruiya. Following completion of the said transfers on 26 November 2009 and as at the Latest Practicable Date, Hubei Shengze has been the sole equity-holder of Chenzhou Ruibao.

(xvii) *Shantou Hongxiang*

On 12 July 2000, Shantou Hongxiang was established by Wu Yihong (currently a director of Shantou Hongxiang) and Chen Jiluan (an Independent Third Party) with an initial registered capital of RMB 5 million, which was owned as to 70% by Wu Yihong and as to 30% by Chen Jiluan. Shantou Hongxiang is now principally engaged in sales of automobile (including small passenger automobiles), and Audi-branded vehicles manufactured by FAW-Volkswagen, parts and components of vehicles and other materials. Its registered capital is RMB 5 million as at the Latest Practicable Date. Prior to the acquisition agreement made by Hubei Shengze with two then Independent Third Parties, namely Wu Yihong and Lin Limin on 23 June 2010, Shantou Hongxiang was then held by the said two persons who currently are directors of Shantou Hongxiang. By an equity transfer agreement dated 23 June 2010 (as supplemented by a supplemental agreement dated 24 June 2010) entered into between Wu Yihong (as transferor), Lin Limin (as transferor) and Hubei Shengze (as transferee), Wu Yihong agreed to transfer 40% equity interest in Shantou Hongxiang then held by him to Hubei Shengze at a consideration of RMB28.22 million, based on arm’s length negotiation taking into account the fact that Shantou Hongxiang is authorised to engage in the sales of Audi-branded vehicles manufactured by FAW-Volkswagen, while Lin Limin agreed to transfer 40% equity interest in Shantou Hongxiang then held by him to Hubei Shengze at a consideration of RMB28.22 million, on the same basis set out above. Under the supplemental agreement dated 24 June 2010 and made by the said parties, the number of directors of Shantou Hongxiang was changed to five, three of whom were nominees of Hubei Shengze, while the other two were Wu Yihong and Lin Limin, that enabled Hubei Shengze to have power to govern the financial and operating policies of Shantou Hongxiang since 24 June 2010. In connection with the said equity-interest transfers and as part of the completion arrangement, Wu Yihong’s 40% equity interest in Shantou Hongxiang was transferred through his designated nominee company (namely, Shantou Hongqixing Investments Co., Ltd.* (汕頭市宏奇盛投資有限公司)) to Hubei Shengze, while Lin Limin’s 40% equity interest in Shantou Hongxiang was transferred through his designated nominee company (namely, Shantou Liao Investments Co., Ltd. (汕頭市力奧投資有限公司)) to Hubei Shengze. The record of Hubei Shengze becoming the 80% equity-interest in Shantou Hongxiang was filed with the local administration of industry and commerce on 20 August 2010. Since such filing and as at the Latest Practicable Date, Shantou Hongxiang was owned as to 80% by Hubei Shengze, as to 10% by Wu Yihong and as to 10% by Lin Limin.

(xviii) *Wuhan Kaitai*

On 20 October 2003, Wuhan Kaitai was established by Hubei Shengze and Hubei Dingjie with an initial registered capital of RMB 10 million, which was owned as to 70% by Hubei Shengze and as to 30% by Hubei Dingjie. Wuhan Kaitai is now principally engaged in sales of automobiles and related services (Dongfeng Nissan). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

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By an equity transfer agreement dated 8 December 2003 entered into between Hubei Shengze (as transferor) and Wuhan Zhongcheng (as transferee), Hubei Shengze transferred 39% equity interest in Wuhan Kaitai to Wuhan Zhongcheng at a consideration of RMB 3.9 million, based on the amount of registered capital of Wuhan Kaitai attributed to Hubei Shengze. Following completion of the said transfer since 22 December 2003, Wuhan Kaitai became owned as to 39% by Wuhan Zhongcheng, as to 31% by Hubei Shengze and as to 30% by Hubei Dingjie.

By an equity transfer agreement dated 26 October 2009 entered into between Hubei Dingjie (as transferor) and Hubei Shengze (as transferee), Hubei Dingjie transferred 30% equity interest in Wuhan Kaitai to Hubei Shengze at a consideration of RMB 3 million, based on the amount of registered capital of Wuhan Kaitai attributed to Hubei Dingjie. Following completion of the said transfer since 28 October 2009, Wuhan Kaitai became owned as to 61% by Hubei Shengze and as to 39% by Wuhan Zhongcheng.

By an equity transfer agreement dated 3 November 2009 entered into between Hubei Shengze (as transferor) and Hubei Dingjie (as transferee), Hubei Dingjie acquired 61% equity interest in Wuhan Kaitai from Hubei Shengze at a consideration of RMB 6.1 million, based on the amount of registered capital of Wuhan Kaitai attributed to Hubei Shengze. By an equity transfer agreement dated 3 November 2009 entered into between Wuhan Zhongcheng (as transferor) and Hubei Dingjie (as transferee), Hubei Dingjie acquired 39% equity interest in Wuhan Kaitai from Wuhan Zhongcheng at a consideration of RMB 3.9 million, based on the amount of registered capital of Wuhan Kaitai attributed to Wuhan Zhongcheng. Following completion of the said transfer on 17 November 2009 and as at the Latest Practicable Date, Hubei Dingjie has been the sole equity-holder of Wuhan Kaitai.

(xix) *Shiyan Shenxie*

On 18 June 2004, Shiyan Shenxie was established by Hubei Shengze and Hubei Dingjie with an initial registered capital of RMB 3 million, which was owned as to 90% by Hubei Shengze and as to 10% by Hubei Dingjie. Shiyan Shenxie is now principally engaged in sales of automobiles and related services (Buick). Its registered capital amounted to RMB 19 million as at the Latest Practicable Date.

By an equity transfer agreement dated 4 November 2009 entered into between Hubei Shengze (as transferor) and Hubei Dingjie (as transferee), Hubei Shengze transferred 90% equity interest in Shiyan Shenxie to Hubei Dingjie at a consideration of RMB 2.7 million, based on the amount of registered capital of Shiyan Shenxie attributed to Hubei Shengze. Following completion of the said transfer on 19 November 2009 and as at the Latest Practicable Date, Hubei Dingjie has been the sole equity-holder of Shiyan Shenxie.

On 21 September 2010, Hubei Dingjie contributed additional registered capital in Shiyan Shenxie by RMB 16 million. Following completion of the said increase, the registered capital of Shiyan Shenxie became RMB 19 million.

(xx) *Nanchang Baoze*

On 2 June 2008, Nanchang Baoze was established by Wuhan Baoze and Changsha Ruibao with an initial registered capital of RMB 10 million, which was owned and has remained to be so owned as at the Latest Practicable Date as to 80% by Wuhan Baoze and as to 20% by Changsha Ruibao. Nanchang Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital is RMB 29 million as at the Latest Practicable Date.

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On 21 September 2010, Wuhan Baoze and Changsha Ruibao contributed additional registered capital in Nanchang Baoze by RMB 15.2 million and RMB 3.8 million respectively. Following completion of the said increase, the registered capital of Nanchang Baoze became RMB 29 million.

(xxi) *Guangzhou Baoze*

On 20 April 2009, Guangzhou Baoze was established by Wuhan Baoze and Changsha Ruibao with an initial registered capital of RMB 10 million, which was owned and has remained to be so owned as at the Latest Practicable Date as to 60% by Wuhan Baoze and as to 40% by Changsha Ruibao. Guangzhou Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

(xxii) *Yichang Baoze*

On 13 June 2006, Yichang Baoze was established by Wuhan Baoze and Hubei Dingjie with an initial registered capital of RMB 8 million, which was owned as to 80% by Wuhan Baoze and as to 20% by Hubei Dingjie. Yichang Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital has remained unchanged at RMB 8 million as at the Latest Practicable Date.

By an equity transfer agreement dated 23 October 2009 entered into between Hubei Shengze (as transferee) and Hubei Dingjie (as transferor), Hubei Shengze acquired 20% equity interest in Yichang Baoze from Hubei Dingjie at a consideration of RMB 1.6 million, based on the amount of registered capital of Yichang Baoze attributed to Hubei Dingjie. Following completion of the said transfer since 28 October 2009, Yichang Baoze has become owned as to 80% by Wuhan Baoze and as to 20% by Hubei Shengze.

By an equity transfer agreement dated 4 November 2009 entered into between Hubei Shengze (as transferor) and Wuhan Baoze (as transferee), Wuhan Baoze acquired 20% equity interest in Yichang Baoze from Hubei Shengze at a consideration of RMB 1.6 million, based on the amount of registered capital of Yichang Baoze attributed to Hubei Shengze. Following completion of the said transfer on 10 November 2009 and as at the Latest Practicable Date, Wuhan Baoze has been the sole equity-holder of Yichang Baoze.

(xxiii) *Huhhot Qibao*

On 23 February 2006, Huhhot Qibao was established by Wuhan Baoze and Hubei Shengze with an initial registered capital of RMB 10 million, which was owned as to 30% by Wuhan Baoze and as to 70% by Hubei Shengze. Huhhot Qibao is now principally engaged in sales of automobiles and related services (BMW). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

By an equity transfer agreement dated 12 November 2009 entered into between Hubei Shengze (as transferor) and Wuhan Baoze (as transferee), Hubei Shengze transferred 70% equity interest in

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Huhhot Qibao to Wuhan Baoze at a consideration of RMB 7 million, based on the amount of registered capital of Huhhot Qibao attributed to Hubei Shengze. Following completion of the said transfer on 24 November 2009 and as at the Latest Practicable Date, Wuhan Baoze has been the sole equity-holder of Huhhot Qibao.

(xxiv) *Shenxie Shentong*

On 31 January 2007, Shenxie Shentong was established by Shanghai Shenxie and Hubei Shengze with an initial registered capital of RMB 10 million, which was owned as to 60% by Shanghai Shenxie and as to 40% by Hubei Shengze. Shenxie Shentong is now principally engaged in sales of automobiles and related services (Dongfeng Nissan). Its registered capital is RMB 15 million as at the Latest Practicable Date.

By an equity transfer agreement dated 5 November 2009 entered into between Hubei Shengze (as transferor) and Shanghai Shenxie (as transferee), Shanghai Shenxie acquired 40% equity interest in Shenxie Shentong from Hubei Shengze at a consideration of RMB 4 million, based on the amount of registered capital of Shenxie Shentong attributed to Hubei Shengze. Following completion of the said transfer on 16 November 2009 and as at the Latest Practicable Date, Shanghai Shenxie has been the sole equity-holder of Shenxie Shentong.

On 21 September 2010, Shanghai Shenxie contributed additional registered capital in Shenxie Shentong by RMB 5 million. Following completion of the said increase, the registered capital of Shenxie Shentong increase to RMB 15 million.

(xxv) *Shanghai Luda*

On 8 November 2004, Shanghai Luda was established by Shanghai Shenxie, Shanghai Lushi and Xu Ling with an initial registered capital of RMB 10 million, which was owned as to 50% by Shanghai Shenxie, as to 30% by Shanghai Lushi and as to 20% by Xu Ling. Shanghai Luda is now principally engaged in sales of automobiles and related services (Dongfeng Honda). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

By an equity transfer agreement dated 5 December 2009 entered into between Shanghai Lushi (as transferor), Xu Ling (as transferor) and Shanghai Shenxie (as transferee), Shanghai Shenxie acquired (i) 30% equity interest in Shanghai Luda from Shanghai Lushi at a consideration of RMB 3 million, based on the amount of registered capital of Shanghai Luda attributed to Shanghai Lushi; and (ii) 20% equity interest in Shanghai Luda from Xu Ling at a consideration of RMB 2 million, based on the amount of registered capital of Shanghai Luda attributed to Xu Ling. Following completion of the said transfer on 30 December 2009 and as at the Latest Practicable Date, Shanghai Shenxie has been the sole equity-holder of Shanghai Luda.

(xxvi) *Shanghai Aohui*

On 4 December 2008, Shanghai Aohui was established by Shanghai Shenxie and Xu Juan (an Independent Third Party) with an initial registered capital of RMB 10 million, which was owned as to 70% by Shanghai Shenxie and as to 30% by Xu Juan. Shanghai Aohui is now principally engaged in sales of automobiles and related services (Audi). Its registered capital has remained unchanged at RMB 10 million as at the Latest Practicable Date.

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By an equity transfer agreement dated 27 May 2009 entered into between Xu Juan (as transferor) and Shanghai Lushi (as transferee), Shanghai Lushi acquired 30% equity interest in Shanghai Aohui from Xu Juan at a consideration of RMB 3 million, based on the amount of registered capital in Shanghai Aohui attributed to Xu Juan. Following completion of the said transfer since 15 June 2009, Shanghai Aohui has become owned as to 70% by Shanghai Shenxie and as to 30% by Shanghai Lushi.

By an equity transfer agreement dated 5 November 2009 entered into between Shanghai Lushi (as transferor) and Shanghai Shenxie (as transferee), Shanghai Shenxie acquired 30% equity interest in Shanghai Aohui from Shanghai Lushi at a consideration of RMB 3 million, based on the amount of registered capital of Shanghai Aohui attributed to Shanghai Lushi. Following completion of the said transfer on 11 November 2009 and as at the Latest Practicable Date, Shanghai Shenxie has been the sole equity-holder of Shanghai Aohui.

(xxvii) *Inner Mongolia Dingze*

On 27 October 2009, Inner Mongolia Dingze was established by Inner Mongolia Dingjie and Wuhan Kaitai with an initial registered capital of RMB 10 million, which was owned and has remained to be so owned as at the Latest Practicable Date as to 30% by Inner Mongolia Dingjie and as to 70% by Wuhan Kaitai. Inner Mongolia Dingze is now principally engaged in sales of automobiles and related services (Dongfeng Nissan). Its registered capital is RMB 20 million as at the Latest Practicable Date.

On 21 September 2010, Inner Mongolia Dingjie and Wuhan Kaitai contributed additional registered capital in Inner Mongolia Dingze by RMB 3 million and RMB 7 million respectively. Following completion of the said increase, the registered capital of Inner Mongolia Dingze became RMB 20 million.

(xxviii) *Baotou Baoze*

On 6 August 2009, Baotou Baoze was established by Huhhot Qibao and Baotou Xindehui with an initial registered capital of RMB 26 million, which was owned as to 70% by Huhhot Qibao and as to 30% by Baotou Xindehui. As at the Latest Practicable Date, Baotou Baoze remains to be owned as to 70% by Huhhot Qibao and as to 30% by Wang Jianye, an Independent Third Party. Baotou Baoze is now principally engaged in sales of automobiles and related services (BMW). Its registered capital has remained unchanged at RMB 26 million as at the Latest Practicable Date.

(xix) *Hubei Bocheng*

On 30 May 2003, Hubei Bocheng was established by Hubei Shengze and Hubei Dingjie with an initial registered capital of RMB 10 million, which was owned as to 80% by Hubei Shengze and as to 20% by Hubei Dingjie. Hubei Bocheng is now principally engaged in sales of automobiles and related services (Buick). Its registered capital is RMB 20 million as at the Latest Practicable Date.

By an equity transfer agreement dated 2 June 2006 entered into between Hubei Shengze (as transferor) and Shanghai Luda (as transferee), Hubei Shengze transferred 80% equity interest in Hubei Bocheng to Shanghai Luda at a consideration of RMB 8 million, based on the amount of registered

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capital of Hubei Bocheng attributed to Hubei Shengze. By an equity transfer agreement dated 2 June 2006 entered into between Hubei Dingjie (as transferor) and Shanghai Lushi (as transferee), Hubei Dingjie transferred 20% equity interest in Hubei Bocheng to Shanghai Lushi at a consideration of RMB 2 million, based on the amount of registered capital of Hubei Bocheng attributed to Hubei Dingjie. Following completion of the said transfers since 15 June 2006, Hubei Bocheng became owned as to 80% by Shanghai Luda and as to 20% by Shanghai Lushi.

By an equity transfer agreement dated 5 November 2009 entered into between Shanghai Lushi (as transferor) and Shanghai Luda (as transferee), Shanghai Lushi transferred 20% equity interest in Hubei Bocheng to Shanghai Luda at a consideration of RMB 2 million, based on the amount of registered capital of Hubei Bocheng attributed to Shanghai Lushi. Following completion of the said transfer on 19 November 2009 and as at the Latest Practicable Date, Shanghai Luda has been the sole equity-holder of Hubei Bocheng.

On 21 September 2010, Shanghai Luda contributed additional registered capital in Hubei Bocheng by RMB 10 million. Following completion of the said increase, the registered capital of Hubei Bocheng increase to RMB 20 million.

(xxx) *Hubei Jierui*

On 24 June 2005, Hubei Jierui was established by Wuhan Baoze and Hubei Bocheng with an initial registered capital of RMB 10 million, which was owned as to 90% by Wuhan Baoze and as to 10% by Hubei Bocheng. Hubei Jierui is now principally engaged in sales of automobiles and related services (Chevrolet). Its registered capital is RMB 22 million as at the Latest Practicable Date.

By an equity transfer agreement dated 25 February 2009 entered into between Wuhan Baoze (as transferor) and Jin Zhonghua (as transferee, a director of Shanghai Luda), Wuhan Baoze transferred 90% equity interest in Hubei Jierui to Jin Zhonghua at a consideration of RMB 9 million, based on the amount of registered capital in Hubei Jierui attributed to Wuhan Baoze. By an equity transfer agreement dated 25 February 2009 entered into between Hubei Bocheng (as transferor) and Hu Jun (as transferee, a director of Wuhan Jietong and Wuhan Baoze), Hubei Bocheng transferred 10% equity interest in Hubei Jierui to Hu Jun at a consideration of RMB 1 million, based on the amount of registered capital in Hubei Jierui attributed to Hubei Bocheng. Following completion of the said transfers since 26 February 2009, Hubei Jierui became owned as to 90% by Jin Zhonghua and as to 10% by Hu Jun.

By an equity transfer agreement dated 4 May 2009 entered into between Wuhan Baoze (as transferee) and Jin Zhonghua (as transferor), Jin Zhonghua transferred 90% equity interest in Hubei Jierui to Wuhan Baoze at a consideration of RMB 9 million, based on the amount of registered capital in Hubei Jierui attributed to Jin Zhonghua. By an equity transfer agreement dated 4 May 2009 entered into between Hubei Bocheng (as transferee) and Hu Jun (as transferor), Hu Jun transferred 10% equity interest in Hubei Jierui to Hubei Bocheng at a consideration of RMB 1 million, based on the amount of registered capital in Hubei Jierui attributed to Hu Jun. Following completion of the said transfers since 3 June 2009, Hubei Jierui became owned as to 90% by Wuhan Baoze and as to 10% by Hubei Bocheng.

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By an equity transfer agreement dated 3 November 2009 entered into between Wuhan Baoze (as transferor) and Hubei Bocheng (as transferee), Hubei Bocheng acquired 90% equity interest in Hubei Jierui from Wuhan Baoze at a consideration of RMB 9 million, based on the amount of registered capital of Hubei Jierui attributed to Wuhan Baoze. Following completion of the said transfer on 10 November 2009 and as at the Latest Practicable Date, Hubei Bocheng has been the sole equity-holder of Hubei Jierui.

On 21 September 2010, Shanghai Luda contributed additional registered capital in Hubei Jierui by RMB 12 million. Following completion of the said increase, the registered capital of Hubei Jierui became RMB 22 million.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants’ report set out in Appendix I to this document.

Save for the alterations described in paragraph 4 above, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this document.

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6. Further information about our Group’s PRC establishments

Our Group has interest in the registered capital of relevant members of the Equity-held Group established in the PRC. Further, the PRC Operating Entities are regarded as subsidiaries of our Company by way of the Contractual Arrangements. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

Members of the Equity-held Group

(a) Wuhan Jietong

- | | |
|---|--|
| (i) Name of the enterprise: | 武漢聖澤捷通物流有限公司
(Wuhan Shengze Jietong Logistics Company Limited) |
| (ii) Economic nature: | wholly foreign-owned enterprise |
| (iii) Registered holder: | Rising Wave |
| (iv) Total investment: | RMB 79 million |
| (v) Registered/paid up capital: | RMB 40 million (fully paid up) |
| (vi) Attributable interest to our Group | 100% |
| (vii) Term of operation: | From 22 November 2002 to 21 November 2032 |
| (viii) Scope of business: | Warehousing and logistics service; sales of automobile components, hardware and electrical products and electromechanical products; self operation or acting as agent for import and export business of various kinds of goods and technologies (except for the goods and technologies restricted by the PRC government from operation or import and export); economic information consultancy, investment consultancy; training and consultancy on financing and management of corporate technology; corporate layout design, corporate image planning and sales planning |

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(b) Shanghai Yige

- | | |
|--|--|
| (i) Name of the enterprise: | 上海繹格科工貿有限公司
(Shanghai Yige Science & Technology Trading Co., Ltd.) |
| (ii) Economic nature: | limited liability company |
| (iii) Registered holders: | Wuhan Jietong (50%)
Yelin Trading (Shanghai) Company Limited*
(葉林貿易(上海)有限公司 (50%)) |
| (iv) Registered/paid up capital: | RMB 15 million (fully paid up) |
| (v) Attributable interest to our Group | 50% |
| (vi) Term of operation: | From 25 September 2002 to 24 September 2022 |
| (vii) Scope of business: | Lubricant oil, automobile components, automobile decoration, metal materials, hardware and electrical products, constructional materials, electromechanical products, non-specially controlled communication apparatus and equipment, commodity information consultancy services, “Four Techniques” services in the automobile sector, automobiles (excluding small sedan) and Dongfeng Peugeot branded automobiles (subject to granting of relevant operating permits). |

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PRC Operating Entities

(c) Zhuhai Baoze

- | | |
|--|---|
| (i) Name of the enterprise: | 珠海寶澤汽車銷售服務有限公司
(Zhuhai Baoze Automobile Sales Services Co., Ltd.) |
| (ii) Economic nature: | limited liability company |
| (iii) Registered holder: | Hubei Shengze |
| (iv) Registered/paid up capital: | RMB 30 million (fully paid up) |
| (v) Attributable interest to our Group | 100% |
| (vi) Term of operation: | From 27 June 2008 to 27 June 2018 |
| (vii) Scope of business: | General operations: wholesale and retail of automobile components; consultancy services for trading in old automotive cars; trading in used automobiles. Licensed operations: wholesale and retail of automobiles (including BMW-Brilliance and imported BMW branded automobiles; concurrent-business insurance agency for automotive cars (valid till 2 August 2012); the following businesses are only applicable to branch operations: Type 2 vehicle repairing, assembly repairing, vehicle maintenance, minor overhaul and special repairing |

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- (d) Inner Mongolia Dingjie
- (i) Name of the enterprise: 內蒙古鼎杰汽車貿易有限公司
(Inner Mongolia Dingjie Automobile Trading Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 7 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 23 January 2003 to 22 January 2023
- (vii) Scope of business: Sales of Dongfeng Nissan branded automobiles; sales of automobile components; repairing of small vehicles (Type 1 vehicle repairing) (valid till 31 October 2012); interior and exterior decoration of automobiles; automobile beauty (excluding car washing); dealership of used cars; sales of automobiles (excluding small sedan) (production and operation activities cannot be started without obtaining of approval required by national laws and regulations)

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- (e) Hubei Dingjie
- (i) Name of the enterprise: 湖北鼎杰汽車銷售服務有限公司
(Hubei Dingjie Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 55 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: Indefinite term commencing from 12 December 2002
- (vii) Scope of business: Wholesale and retail of automobiles (branded small vehicles), metal materials, electronic products, hardware and electrical products, construction materials, electromechanical products, ordinary machineries, chemical products (excluding hazardous chemicals and those chemicals restricted by the PRC government); processing and sales of automobile components; Type 1 (small vehicle repairing, valid till 31 July 2012); trading in used cars

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- (f) Hubei Xinrui
- (i) Name of the enterprise: 湖北欣瑞汽車銷售服務有限公司
(Hubei Xinrui Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: Indefinite term commencing from 18 March 2004
- (vii) Scope of business: Sales of Beijing Hyundai branded automobiles; sales of automobiles (excluding small sedans not under the Beijing Hyundai brand), metal materials, electronic products, hardware and electrical products, construction materials, electromechanical products, chemical products (excluding hazardous chemicals and those chemicals restricted by the PRC government); processing and sales of automobile components; trading in used cars; small vehicle repairing (Type 1, valid till 31 July 2014)

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- (g) Changsha Ruibao
- (i) Name of the enterprise: 長沙瑞寶汽車銷售服務有限公司
(Changsha Ruibao Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 20 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 21 June 2005 to 20 June 2025
- (vii) Scope of business: Sales of automobiles (excluding small sedans), metal materials, hardware and electrical products, electronic products and computers, constructional materials, electromechanical equipment, chemical products (excluding hazardous chemicals and regulated products); automobile decoration; sales of BMW-Brilliance and imported BMW automobiles; vehicle maintenance, minor overhaul and special repairing

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- (h) Beijing Baozhang
- (i) Name of the enterprise: 北京寶澤行汽車銷售服務有限公司
(Beijing Baozhang Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 90 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 16 October 2009 to 15 October 2039
- (vii) Scope of business: Licensed operations: sales of BMW-Brilliance and imported BMW branded automobiles; Type 1 automobile repair (small vehicle repairing).
General business activities: sales of automobiles (excluding those with less than nine seats); automobile components, metal materials, hardware and electrical products, computers, constructional materials; automobile renting.

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- (i) Wuhan Baoze
- (i) Name of the enterprise: 武漢寶澤汽車銷售服務有限公司
(Wuhan Baoze Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 70 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 26 May 2004 to 25 May 2014
- (vii) Scope of business: Sales of automobiles (including sales of BMW-Brilliance and imported BMW branded automobiles) and automobile components; Type 1 (small vehicle repairing, validity should be the same as the duration set out in the permit); automobile beauty; consultancy services for trading in old automotive cars; trading in used automobiles (should there be any special national requirements for any particular project, its operation shall be subject to obtaining of approval); import and export of goods or technologies, undertaking import and export agency business (excluding the goods or technologies forbidden or restricted by the PRC government for import and export)

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- (j) Dongguan Jieyunhang
- (i) Name of the enterprise: 東莞捷運行汽車銷售服務有限公司
(Dongguan Jieyunhang Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Hubei Shengze (75%)
Lin Cheng (25%), who has entered into an agreement with Basetex for sale and transfer of such 25% equity interest in Dongguan Tieyunhang to Basetex. Such transfer has not yet been completed as at the Latest Practicable Date
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 75%
- (vi) Term of operation: Indefinite term commencing from 6 July 2009
- (vii) Scope of business: Sales of Porsche branded automobiles, commercial vehicles and automobile components and consultancy services relating to automobile information; Type 1 automobile repair (small vehicle repairing) (subject to holding of valid licence for carrying on such operation).

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- (k) Shanghai Shenxie
- (i) Name of the enterprise: 上海紳協汽車貿易有限公司
(Shanghai Shenxie Automobile Trading Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 50 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 21 April 1999 to 20 April 2029
- (vii) Scope of business: Sales of Dongfeng Nissan branded automobiles, imported Nissan branded automobiles, Dongfeng Yueda Kia branded automobiles, automobile components, electromechanical products, construction materials, steel products, non-hazardous chemicals, non-specially controlled communication equipment, home appliances, computers, decoration of small sedans, information consultancy, self operation and acting as agent for import and export business of various kinds of goods and technologies, except for the goods and technologies restricted by the PRC government for operation or import and export, Type 2 automobile repair (small vehicle repairing) (subject to granting of relevant operating permits)

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- (l) Chenzhou Ruibao
- (i) Name of the enterprise: 郴州瑞寶汽車銷售服務有限公司
(Chenzhou Ruibao Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Shengze
- (iv) Registered/paid up capital: RMB 6 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 6 September 2006 to 5 September 2056
- (vii) Scope of business: Sales of automobiles (in respect of small sedans, including only BMW-Brilliance and imported BMW branded automobiles), metal materials, hardware and electrical products, electronic products and computers, constructional materials, electromechanical equipment, chemical products (excluding hazardous chemicals and regulated products); automobile accessories; Type 1 automobile repair (small vehicle repairing) (subject to granting of relevant administrative permits, and excluding those prohibited by law)

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- (m) Shantou Hongxiang
- (i) Name of the enterprise: 汕頭市宏祥物資有限公司
(Shantou Hongxiang Materials Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Hubei Shengze (80%)
Wu Yihong (10%)
Lin Limin (10%)
- (iv) Registered/paid up capital: RMB 5 million (fully paid up)
- (v) Attributable interest to our Group 80%
- (vi) Term of operation: From 12 July 2000 to 30 June 2020
- (vii) Scope of business: Sales of automobiles (including small sedans), Audi branded automobiles manufactured by FAW-Volkswagen, used cars, automobile components, metal materials, home appliances, electronic products and computers, electric machineries; Type 2 automotive car repairing (small vehicle repairing) (permit valid till 30 September 2016); undertaking agency for automotive car insurance businesses (permit for concurrent-business insurance agency are valid till 28 June 2012) (subject to obtaining of valid special approval certifications if special requirements are involved in the business scope)

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- (n) Wuhan Kaifai
- (i) Name of the enterprise: 武漢開泰汽車銷售服務有限公司
(Wuhan Kaitai Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Dingjie
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 20 October 2003 to 17 October 2013
- (vii) Scope of business: Sales of automobiles (including Dongfeng branded sedans), metal materials, electronic products, hardware and electrical products, constructional materials, electromechanical equipment, ordinary machineries, chemical products (excluding hazardous chemicals) and automobile components; automobile after-sales services; vehicle overhaul, assembly repairing, vehicle maintenance, processing and sales of automobile components; intermediary services for trading in old automotive cars (excluding appraisal and assessment of automotive cars). (No operation unless obtaining permit if there are any special national requirements)

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- (o) Shiyan Shenxie
- (i) Name of the enterprise: 十堰紳協汽車貿易有限公司
(Shiyan Shenxie Automobile Trading Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Dingjie
- (vi) Registered/paid up capital: RMB 19 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 18 June 2004 to 1 June 2026
- (vii) Scope of business: Sales of automobiles (including Buick branded sedans), automobile components, constructional materials, steel products, hardware and electrical products, chemical products (excluding hazardous goods and chemicals restricted by the PRC government) and ordinary mechanical products; machinery processing; Type 1 small vehicle repairing (valid till 31 July 2011)

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- (p) Nanchang Baoze
- (i) Name of the enterprise: 南昌寶澤汽車銷售服務有限公司
(Nanchang Baoze Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Wuhan Baoze (80%)
Changsha Ruibao (20%)
- (iv) Registered/paid up capital: RMB 29 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 2 June 2008 to 1 June 2028
- (vii) Scope of business: Vehicle repairing; small vehicle repairing, assembly repairing, vehicle maintenance, minor overhaul, repairing rescue, special repairing, inspection of repairing completion (permit validity until 14 May 2011); automotive car insurance (permit validity until 11 May 2012); Sales of BMW-Brilliance and imported BMW branded automobiles and automobile components; automobile beauty; consultancy services for trading in used cars; self operation and acting as agent for import and export business of various kinds of goods and technologies (excluding the goods and technologies restricted by the PRC government from operation or import and export); automobile registration agency and related business (excluding re-issue of automobile registration certificate) (except for those activities subject to special national requirements).

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- (q) Guangzhou Baoze
- (i) Name of the enterprise: 廣州寶澤汽車銷售有限公司
(Guangzhou Baoze Automobile Sales Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Wuhan Baoze (60%)
Changsha Ruibao (40%)
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: Indefinite term commencing from 20 April 2009
- (vii) Scope of business: Sales of passenger automobiles with nine or more seats, automobile components, metal materials, hardware and electrical products, electronic products and computers, constructional materials, electromechanical equipment, chemical products (excluding methanol and inflammable, explosive and hazardous chemicals); automobile beauty; import and export business of goods and technologies (excluding activities prohibited under laws and administrative regulations, operation of such activities shall be subject to obtaining of relevant permits)

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- (r) Yichang Baoze
- (i) Name of the enterprise: 宜昌寶澤汽車銷售服務有限公司
(Yichang Baoze Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Wuhan Baoze
- (iv) Registered/paid up capital: RMB 8 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 13 June 2006 to 12 June 2026
- (vii) Scope of business: Sales of BMW-Brilliance and imported BMW branded automobiles and automobile components; automobile beauty; consultancy services for trading in old cars; dealership of used cars; Type 1 small automobile repair (valid until 31 July 2013) (subject to completion of licensing procedures should the operation scope involve any licensed activities)

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- (s) Huhhot Qibao
- (i) Name of the enterprise: 呼和浩特市祺寶汽車銷售服務有限公司
(Huhhot Qibao Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Wuhan Baoze
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 23 February 2006 to 22 February 2016
- (vii) Scope of business: Sales of BMW-Brilliance and imported BMW branded automobiles and after-sales services; sales of automobile components and automobile apparels; consultancy services for trading in old cars; dealership of used cars; concurrent-business insurance agency for automotive cars (valid until 15 January 2011); small vehicle repair (Type 1 automobile repair) (valid until 30 October 2016) (subject to holding of relevant permit if so required by law or administration regulations)

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- (t) Shanghai Shentong
- (i) Name of the enterprise: 上海紳協紳通汽車銷售服務有限公司
(Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Shanghai Shenxie
- (iv) Registered/paid up capital: RMB 15 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 31 January 2007 to 30 January 2017
- (vii) Scope of business: Sales of Dongfeng Nissan branded automobiles; concurrent-business insurance agency (refer to the permit), Type 2 automotive car repairing (refer to the permit); sales of automobile components, electromechanical equipment, constructional materials, steel products, chemical products (excluding hazardous goods), communication equipment, home appliances, computers; automobile decoration; consultancy for business information; import and export business of goods and technologies (subject to obtaining of relevant permits in the case of licensed operation)

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- (u) Shanghai Luda
- (i) Name of the enterprise: 上海陸達汽車銷售服務有限公司
(Shanghai Luda Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Shanghai Shenxie
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 8 November 2004 to 7 November 2029
- (vii) Scope of business: Sales of Dongfeng Hongda branded sedans; dealership of automobiles (excluding small sedans) and used cars; sales of automobile components, electromechanical products, construction materials, steel products, chemical products (excluding hazardous chemicals), communication equipment, home appliances and computers; automobile interior decoration; automobile repairing (Type 2) business information consultancy (excluding brokerage); ancillary automobile insurance agency (subject to obtaining of permits in the case of licensed operation)

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- (v) Shanghai Aohui
- (i) Name of the enterprise: 上海奧匯汽車銷售服務有限公司
(Shanghai Aohui Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Shanghai Shenxie
- (iv) Registered/paid up capital: RMB 10 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 4 December 2008 to 3 December 2018
- (vii) Scope of business: Sales of commercial vehicles as well as passenger vehicles with more than nine seats, automobile components, electromechanical products, construction materials, steel products, chemical products (excluding hazardous chemicals, regulated chemicals, fireworks and crackers, civil explosives and precursor chemicals), home appliances and computers; import and export business of goods and technologies (subject to obtaining of license certificate if the operation requires administrative permit)

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- (w) Inner Mongolia Dingze
- (i) Name of the enterprise: 內蒙古鼎澤汽車銷售服務有限公司
(Inner Mongolia Dingze Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Wuhan Kaitai (70%)
Inner Mongolia Dingjie (30%)
- (iv) Registered/paid up capital: RMB 20 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: From 27 October 2009 to 26 October 2019
- (vii) Scope of business: Sales of Dongfeng Nissan branded sedans; automobile insurance (valid until 4 June 2013); Type 1 automobile repair (maintenance and repair of vehicle, and emergency repair) (valid until 19 September 2016); sales of automobile components; automobile beauty and decoration; automobile accessories decoration; consultancy services relating to old car trading. (production and operation activities cannot be started without obtaining of permits required by laws and administrative regulations)

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- (x) Baotou Baoze
- (i) Name of the enterprise: 包頭市寶澤汽車銷售服務有限公司
(Baotou Baoze Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holders: Huhhot Qibao (70%)
Wang Jianye (30%)
- (iv) Registered/paid up capital: RMB 26 million (fully paid up)
- (v) Attributable interest to our Group 70%
- (vi) Term of operation: From 6 August 2009 to 5 August 2019
- (vii) Scope of business: The sales of BMW-Brilliance, imported BMW branded automobiles; Type 1 automobile repair and maintenance (small vehicle, validity of road-transport business licence until 30 March 2014); insurance for automobile, cargo-transport and accident injuries (validity period of ancillary insurance agency permit until 4 May 2013) (those that are licensed as required by laws, administrative regulations and State Council’s decision; those that are not licensed shall not be manufactured)

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- (y) Hubei Bocheng
- (i) Name of the enterprise: 湖北博誠汽車銷售服務有限公司
(Hubei Bocheng Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Shanghai Luda
- (iv) Registered/paid up capital: RMB 20 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: Indefinite term commencing from 30 May 2003
- (vii) Scope of business: Sales of automobiles (branded sedans), metal materials, electronic products, hardware and electrical products, construction materials, electromechanical products, chemical products (excluding hazardous chemicals and chemicals restricted by the PRC government) and automobile components; Type 1 (small vehicle repairing; used car trading; automobile beauty and decoration)
- (z) Hubei Jierui
- (i) Name of the enterprise: 湖北捷瑞汽車銷售服務有限公司
(Hubei Jierui Automobile Sales Services Co., Ltd.)
- (ii) Economic nature: limited liability company
- (iii) Registered holder: Hubei Bocheng
- (iv) Registered/paid up capital: RMB 22 million (fully paid up)
- (v) Attributable interest to our Group 100%
- (vi) Term of operation: Indefinite term commencing from 24 June 2005
- (vii) Scope of business: Sales of automobiles (including imported and domestically-made Chevrolet branded automobiles) and automobile components; automobile beauty; old automotive car trading and consultancy; Type 1 (small vehicle repairing) (valid until 31 July 2016)

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7. Repurchase by our Company of our own securities

(a) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. 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. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company 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 if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account our current working capital position, our 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 Group as compared with the position disclosed in this document. However, our Directors 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 of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [●] Shares in issue immediately after the [●], would result in up to [●] Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

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(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

8. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 40/F Jardine House, 1 Connaught Place, Central, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr Liang, Current Tien Tzu has been appointed as agent of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notice is 40/F Jardine House, 1 Connaught Place, Central, Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this document and are or may be material:

- (1) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Zhuhai Baoze, pursuant to which Zhuhai Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (2) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Inner Mongolia Dingjie, pursuant to which Inner Mongolia Dingjie will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (3) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Dingjie, pursuant to which Inner Mongolia Dingjie will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (4) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Xinrui, pursuant to which Hubei Xinrui

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will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.

- (5) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Changsha Ruibao, pursuant to which Changsha Ruibao will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (6) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Beijing Baozhang, pursuant to which Beijing Baozhang will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (7) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Wuhan Baoze, pursuant to which Wuhan Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (8) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong, Lin Limin, Wu Yihong (both being minority shareholders of Shantou Hongxiang) and Shantou Honxiang, pursuant to which Shantou Hongxiang will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (9) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong, Lin Cheng (being the minority shareholder of Dongguan Jieyunhang) and Dongguan Jieyunhang, pursuant to which Dongguan Jieyunhang will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (10) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Shenxie, pursuant to which Shanghai

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Shenxie will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.

- (11) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Chenzhou Ruibao, pursuant to which Chenzhou Ruibao will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (12) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Wuhan Kaitai, pursuant to which Wuhan Kaitai will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (13) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shiyang Shenxie, pursuant to which Shiyang Shenxie will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (14) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Inner Mongolia Dingze, pursuant to which Inner Mongolia Dingze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (15) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shenxie Shentong, pursuant to which Shenxie Shentong will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (16) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Luda, pursuant to which Shanghai Luda will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.

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- (17) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Aohui, pursuant to which Shanghai Aohui will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (18) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Nanchang Baoze, pursuant to which Nanchang Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (19) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Guangzhou Baoze, pursuant to which Guangzhou Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (20) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Yichang Baoze, pursuant to which Yichang Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (21) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Huhhot Qibao, pursuant to which Huhhot Qibao will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (22) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Bocheng, pursuant to which Hubei Bocheng will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.
- (23) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Jierui, pursuant to which Hubei Jierui will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.

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- (24) the Exclusive Management and Consultation Services Agreement dated 17 November 2010 entered into between Wuhan Jietong, Wang Jianye (being the minority shareholder of Baotou Baoze) and Baotou Baoze, pursuant to which Baotou Baoze will engage Wuhan Jietong on an exclusive basis to provide consultation services in, among others, the management, sales and marketing, enterprise management and other supporting services in connection with their business and in return, Wuhan Jietong will charge for such services rendered.

The fees to be charged by Wuhan Jietong pursuant to the Exclusive Management and Consultation Services Agreements under items (1) to (24) above are based on the total before-income-tax profits after deducting all the necessary costs, expenses and taxes in connection with the business operation of the respective PRC Operating Entities, and the duration of such Exclusive Management and Consultation Services Agreements is stated in the section headed “Contractual Arrangements — Exclusive Management and Consultation Services Agreements” of this document.

- (25) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Zhuhai Baoze) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Zhuhai Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (1) above.
- (26) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Inner Mongolia Dingjie) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Inner Mongolia Dingjie to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (2) above.
- (27) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Hubei Dingjie) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Hubei Dingjie to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (3) above.
- (28) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Hubei Xinrui) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Hubei Xinrui to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (4) above.
- (29) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Changsha Ruibao)

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as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Changsha Ruibao to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (5) above.

- (30) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Beijing Baozhang) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Beijing Baozhang to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (6) above.
- (31) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Wuhan Baoze) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Wuhan Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (7) above.
- (32) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Shantou Hongxiang) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Shantou Hongxiang to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (8) above.
- (33) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Dongguan Jieyunhang) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Dongguan Jieyunhang to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (9) above.
- (34) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Shanghai Shenxie) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Shanghai Shenxie to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (10) above.
- (35) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Shengze (as the controlling shareholder of Chenzhou Ruibao) as pledgor whereby Hubei Shengze granted a continuing first priority security interests over all its direct equity interests in Chenzhou Ruibao to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (11) above.

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- (36) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Dingjie (as the controlling shareholder of Wuhan Kaitai) as pledgor whereby Hubei Dingjie granted a continuing first priority security interests over all its direct equity interests in Wuhan Kaitai to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (12) above.
- (37) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Dingjie (as the controlling shareholder of Shiyen Shenxie) as pledgor whereby Hubei Dingjie granted a continuing first priority security interests over all its direct equity interests in Shiyen Shenxie to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (13) above.
- (38) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Wuhan Kaitai (as the controlling shareholder of Inner Mongolia Dingze) as pledgor whereby Wuhan Kaitai granted a continuing first priority security interests over all its direct equity interests in Inner Mongolia Dingze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (14) above.
- (39) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Shanghai Shenxie (as the controlling shareholder of Shenxie Shentong) as pledgor whereby Shanghai Shenxie granted a continuing first priority security interests over all its direct equity interests in Shenxie Shentong to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (15) above.
- (40) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Shanghai Shenxie (as the controlling shareholder of Shanghai Luda) as pledgor whereby Shanghai Shenxie granted a continuing first priority security interests over all its direct equity interests in Shanghai Luda to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (16) above.
- (41) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Shanghai Shenxie (as the controlling shareholder of Shanghai Aohui) as pledgor whereby Shanghai Shenxie granted a continuing first priority security interests over all its direct equity interests in Shanghai Aohui to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (17) above.
- (42) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Wuhan Baoze (as the controlling shareholder of Nanchang Baoze) as pledgor whereby Wuhan Baoze granted a continuing first priority security interests over all its direct equity interests in Nanchang Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (18) above.

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- (43) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Wuhan Baoze (as the controlling shareholder of Guangzhou Baoze) as pledgor whereby Wuhan Baoze granted a continuing first priority security interests over all its direct equity interests in Guangzhou Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (19) above.
- (44) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Wuhan Baoze (as the controlling shareholder of Yichang Baoze) as pledgor whereby Wuhan Baoze granted a continuing first priority security interests over all its direct equity interests in Yichang Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (20) above.
- (45) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Wuhan Baoze (as the controlling shareholder of Huhhot Qibao) as pledgor whereby Wuhan Baoze granted a continuing first priority security interests over all its direct equity interests in Huhhot Qibao to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (21) above.
- (46) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Shanghai Luda (as the controlling shareholder of Hubei Bocheng) as pledgor whereby Wuhan Baoze granted a continuing first priority security interests over all its direct equity interests in Hubei Bocheng to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (22) above.
- (47) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Hubei Bocheng (as the controlling shareholder of Hubei Jierui) as pledgor whereby Hubei Bocheng granted a continuing first priority security interests over all its direct equity interests in Hubei Jierui to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (23) above.
- (48) The Equity Pledge Agreement dated 17 November 2010 entered into between Wuhan Jietong as pledgee and Huhhot Qibao (as the controlling shareholder of Baotou Baoze) as pledgor whereby Huhhot Qibao granted a continuing first priority security interests over all its direct equity interests in Baotou Baoze to Wuhan Jietong for guaranteeing the payment of the services fees under the relevant Exclusive Management and Consultation Services Agreement mentioned in item (24) above.

Pursuant to the Equity Pledge Agreements under items (25) to (48) above, Wuhan Jietong is entitled to all dividends derived from the pledged equity interests. Wuhan Jietong is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of services fees to Wuhan Jietong under the respective Exclusive Management and Consultation Services Agreements.

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- (49) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Zhuhai Baoze and Hubei Shengze (as controlling shareholder of Zhuhai Baoze), whereby Zhuhai Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Zhuhai Baoze, and Hubei Shengze shall procure the performance of Zhuhai Baoze’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (1) above.
- (50) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Inner Mongolia Dingjie and Hubei Shengze (as controlling shareholder of Inner Mongolia Dingjie), whereby Inner Mongolia Dingjie has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Inner Mongolia Dingjie, and Hubei Shengze shall procure the performance of Inner Mongolia Dingjie’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (2) above.
- (51) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Dingjie and Hubei Shengze (as controlling shareholder of Hubei Dingjie), whereby Hubei Dingjie has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Hubei Dingjie, and Hubei Shengze shall procure the performance of Hubei Dingjie’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (3) above.
- (52) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Xinrui and Hubei Shengze (as controlling shareholder of Hubei Xinrui), whereby Hubei Xinrui has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Hubei Xinrui, and Hubei Shengze shall procure the performance of Hubei Xinrui’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (4) above.
- (53) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Changsha Ruibao and Hubei Shengze (as controlling shareholder of Changsha Ruibao), whereby Changsha Ruibao has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Changsha Ruibao, and Hubei Shengze shall procure the performance of Changsha Ruibao’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (5) above.

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- (54) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Beijing Baozhang and Hubei Shengze (as controlling shareholder of Beijing Baozhang), whereby Beijing Baozhang has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Beijing Baozhang, and Hubei Shengze shall procure the performance of Beijing Baozhang's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (6) above.
- (55) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Wuhan Baoze and Hubei Shengze (as controlling shareholder of Wuhan Baoze), whereby Wuhan Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Wuhan Baoze, and Hubei Shengze shall procure the performance of Wuhan Baoze's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (7) above.
- (56) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shantou Hongxiang and Hubei Shengze (as controlling shareholder of Shantou Hongxiang), whereby Shantou Hongxiang has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shantou Hongxiang, and Hubei Shengze shall procure the performance of Shantou Hongxiang's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (8) above.
- (57) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Dongguan Jieyunhang and Hubei Shengze (as controlling shareholder of Dongguan Jieyunhang), whereby Dongguan Jieyunhang has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Dongguan Jieyunhang, and Hubei Shengze shall procure the performance of Dongguan Jieyunhang's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (9) above.
- (58) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Shenxie and Hubei Shengze (as controlling shareholder of Shanghai Shenxie), whereby Shanghai Shenxie has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shanghai Shenxie, and Hubei Shengze shall procure the performance of Shanghai Shenxie's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (10) above.

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- (59) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Chenzhou Ruibao and Hubei Shengze (as controlling shareholder of Chenzhou Ruibao), whereby Chenzhou Ruibao has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Chenzhou Ruibao, and Hubei Shengze shall procure the performance of Chenzhou Ruibao’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (11) above.
- (60) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Wuhan Kaitai and Hubei Dingjie (as controlling shareholder of Wuhan Kaitai), whereby Wuhan Kaitai has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Wuhan Kaitai, and Hubei Dingjie shall procure the performance of Wuhan Kaitai’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (12) above.
- (61) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shiyang Shenxie and Hubei Dingjie (as controlling shareholder of Shiyang Shenxie), whereby Shiyang Shenxie has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shiyang Shenxie, and Hubei Dingjie shall procure the performance of Shiyang Shenxie’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (13) above.
- (62) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Inner Mongolia Dingze and Wuhan Kaitai (as controlling shareholder of Inner Mongolia Dingze), whereby Inner Mongolia Dingze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Inner Mongolia Dingze, and Wuhan Kaitai shall procure the performance of Inner Mongolia Dingze’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (14) above.
- (63) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shenxie Shentong and Shanghai Shenxie (as controlling shareholder of Shenxie Shentong), whereby Shenxie Shentong has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shenxie Shentong, and Shanghai Shenxie shall procure the performance of Shenxie Shentong’s obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (15) above.

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- (64) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Luda and Shanghai Shenxie (as controlling shareholder of Shanghai Luda), whereby Shanghai Luda has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shanghai Luda, and Shanghai Shenxie shall procure the performance of Shanghai Luda's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (16) above.
- (65) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Shanghai Aohui and Shanghai Shenxie (as controlling shareholder of Shanghai Aohui), whereby Shanghai Aohui has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Shanghai Aohui, and Shanghai Shenxie shall procure the performance of Shanghai Aohui's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (17) above.
- (66) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Nanchang Baoze and Wuhan Baoze (as controlling shareholder of Nanchang Baoze), whereby Nanchang Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Nanchang Baoze, and Wuhan Baoze shall procure the performance of Nanchang Baoze's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (18) above.
- (67) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Guangzhou Baoze and Wuhan Baoze (as controlling shareholder of Guangzhou Baoze), whereby Guangzhou Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Guangzhou Baoze, and Wuhan Baoze shall procure the performance of Guangzhou Baoze's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (19) above.
- (68) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Yichang Baoze and Wuhan Baoze (as controlling shareholder of Yichang Baoze), whereby Yichang Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Yichang Baoze, and Wuhan Baoze shall procure the performance of Guangzhou Baoze's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (20) above.

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- (69) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Huhhot Qibao and Wuhan Baoze (as controlling shareholder of Huhhot Qibao), whereby Huhhot Qibao has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Huhhot Qibao, and Wuhan Baoze shall procure the performance of Huhhot Qibao's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (21) above.
- (70) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Bocheng and Shanghai Luda (as controlling shareholder of Hubei Bocheng), whereby Hubei Bocheng has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Hubei Bocheng, and Shanghai Luda shall procure the performance of Hubei Bocheng's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (22) above.
- (71) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Hubei Jierui and Hubei Bocheng (as controlling shareholder of Hubei Jierui), whereby Hubei Jierui has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Hubei Jierui, and Hubei Bocheng shall procure the performance of Hubei Bocheng's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (23) above.
- (72) The Exclusive Business Operation Agreement dated 17 November 2010 entered into between Wuhan Jietong with Baotou Baoze and Huhhot Qibao (as controlling shareholder of Baotou Baoze), whereby Baotou Baoze has undertaken, among others, not to enter into any material business transaction without the prior written consent of Wuhan Jietong and undertaken to appoint individuals as nominated by Wuhan Jietong to be the directors and key management of Baotou Baoze, and Huhhot Qibao shall procure the performance of Baotou Baoze's obligations under such agreement and under the Exclusive Management and Consultation Services Agreement mentioned in item (24) above.

Pursuant to the Exclusive Business Operation Agreements under items (49) to (72) above, nominees of Wuhan Jietong are authorised to exercise the rights of shareholders of the PRC Operating Entities so as to ensure that any dividend and/or capital gain derived from the equity interests in the PRC Operating Entities, distributable reserve and proceeds from the realisation of any assets by the PRC Operating Entities which are distributable in accordance with applicable laws and the constitutional documents of each of the PRC Operating Entities received thereof shall be paid to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment or distribution.

- (73) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Zhuhai Baoze) and Zhuhai Baoze,

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whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Zhuhai Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.

- (74) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Inner Mongolia Dingjie) and Inner Mongolia Dingjie, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Inner Mongolia Dingjie at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (75) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Hubei Dingjie) and Hubei Dingjie, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Hubei Dingjie at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (76) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Hubei Xinrui) and Hubei Xinrui, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Hubei Xinrui at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (77) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Changsha Ruibao) and Changsha Ruibao, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Changsha Ruibao at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (78) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Beijing Baozhang) and Beijing Baozhang, whereby Rising Wave has been granted options to acquire, directly or through

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one or more nominees, the entire equity interest in Beijing Baozhang at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.

- (79) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Wuhan Baoze) and Wuhan Baoze, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Wuhan Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (80) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Shantou Hongxiang) and Shantou Hongxiang, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shantou Hongxiang at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (81) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Dongguan Jieyunhang) and Dongguan Jieyunhang, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Dongguan Jieyunhang at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (82) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Shanghai Shenxie) and Shanghai Shenxie, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shanghai Shenxie at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (83) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Shengze (as controlling shareholder of Chenzhou Ruibao) and Chenzhou Ruibao, whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Chenzhou Ruibao at nil consideration or the

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minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.

- (84) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Dingjie (as controlling shareholder of Wuhan Kaitai) and Wuhan Kaitai whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Wuhan Kaitai at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (85) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Dingjie (as controlling shareholder of Shiyan Shenxie) and Shiyan Shenxie whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shiyan Shenxie at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (86) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Wuhan Kaitai (as controlling shareholder of Inner Mongolia Dingze) and Inner Mongolia Dingze whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Inner Mongolia Dingze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (87) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Shanghai Shenxie (as controlling shareholder of Shenxie Shentong) and Shenxie Shentong whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shenxie Shentong at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (88) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Shanghai Shenxie (as controlling shareholder of Shanghai Luda) and Shanghai Luda whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shanghai Luda at nil consideration or the minimum

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amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.

- (89) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Shanghai Shenxie (as controlling shareholder of Shanghai Aohui) and Shanghai Aohui whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Shanghai Aohui at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (90) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Wuhan Baoze (as controlling shareholder of Nanchang Baoze) and Nanchang Baoze whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Nanchang Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (91) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Wuhan Baoze (as controlling shareholder of Guangzhou Baoze) and Guangzhou Baoze whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Guangzhou Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (92) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Wuhan Baoze (as controlling shareholder of Yichang Baoze) and Yichang Baoze whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Yichang Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (93) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Wuhan Baoze (as controlling shareholder of Huhhot Qibao) and Huhhot Qibao whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Huhhot Qibao at nil consideration or the minimum

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amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.

- (94) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Shanghai Luda (as controlling shareholder of Hubei Bocheng) and Hubei Bocheng whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Hubei Bocheng at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (95) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Hubei Bocheng (as controlling shareholder of Hubei Jierui) and Hubei Jierui whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Hubei Jierui at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (96) The Exclusive Option Agreement dated 17 November 2010 entered into between Rising Wave, Huhhot Qibao (as controlling shareholder of Baotou Baoze) and Baotou Baoze whereby Rising Wave has been granted options to acquire, directly or through one or more nominees, the entire equity interest in Baotou Baoze at nil consideration or the minimum amount as permitted by the applicable PRC laws, while Rising Wave may exercise such options at any time and in any manner at its sole discretion subject to compliance with the PRC laws, and other rights as summarised in the section headed “Contractual Arrangements — Exclusive Option Agreements” of this document.
- (97) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Zhuhai Baoze) and Li Zhubo (“**Mr Li**”, as the chairman of Wuhan Jietong and one of the executive Director), pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Zhuhai Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Zhuhai Baoze, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Zhuhai Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Zhuhai Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

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- (98) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Inner Mongolia Dingjie) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Inner Mongolia Dingjie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Inner Mongolia Dingjie, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Inner Mongolia Dingjie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Inner Mongolia Dingjie, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (99) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Hubei Dingjie) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Hubei Dingjie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Dingjie, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Hubei Dingjie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Dingjie, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (100) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Hubei Xinrui) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Hubei Xinrui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Xinrui, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Hubei Xinrui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Xinrui, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (101) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Changsha Ruibao) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Changsha Ruibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Changsha Ruibao, the same shall be paid by Hubei Shengze to Wuhan Jietong

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as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Changsha Ruibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Changsha Ruibao, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

- (102) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Beijing Baozehang) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Beijing Baozehang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Beijing Baozehang, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Beijing Baozehang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Beijing Baozehang, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (103) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Wuhan Baoze) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Wuhan Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Wuhan Baoze, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Wuhan Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Wuhan Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (104) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Shantou Hongxiang) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shantou Hongxiang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shantou Hongxiang, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shantou Hongxiang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shantou Hongxiang, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

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- (105) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Dongguan Jieyunhang) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Dongguan Jieyunhang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Dongguan Jieyunhang, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Dongguan Jieyunhang in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Dongguan Jieyunhang, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (106) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Shanghai Shenxie) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shanghai Shenxie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Shenxie, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shanghai Shenxie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Shenxie, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (107) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Shengze (as controlling shareholder of Chenzhou Ruibao) and Mr Li, pursuant to which (i) Hubei Shengze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Chenzhou Ruibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Chenzhou Ruibao, the same shall be paid by Hubei Shengze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Chenzhou Ruibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Chenzhou Ruibao, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (108) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Dingjie (as controlling shareholder of Wuhan Kaitai) and Mr Li, pursuant to which (i) Hubei Dingjie has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Wuhan Kaitai in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Wuhan Kaitai, the same shall be paid by Hubei Dingjie to Wuhan Jietong as

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soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Wuhan Kaitai in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Wuhan Kaitai, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

- (109) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Dingjie (as controlling shareholder of Shiyan Shenxie) and Mr Li, pursuant to which (i) Hubei Dingjie has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shiyan Shenxie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shiyan Shenxie, the same shall be paid by Hubei Dingjie to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shiyan Shenxie in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shiyan Shenxie, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (110) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Wuhan Kaitai (as controlling shareholder of Inner Mongolia Dingze) and Mr Li, pursuant to which (i) Wuhan Kaitai has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Inner Mongolia Dingze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Inner Mongolia Dingze, the same shall be paid by Wuhan Kaitai to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Inner Mongolia Dingze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Inner Mongolia Dingze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (111) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Shanghai Shenxie (as controlling shareholder of Shenxie Shentong) and Mr Li, pursuant to which (i) Shanghai Shenxie has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shenxie Shentong in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shenxie Shentong, the same shall be paid by Shanghai Shenxie to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shenxie Shentong in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shenxie Shentong, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

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- (112) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Shanghai Shenxie (as controlling shareholder of Shanghai Luda) and Mr Li, pursuant to which (i) Shanghai Shenxie has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shanghai Luda in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Luda, the same shall be paid by Shanghai Shenxie to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shanghai Luda in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Luda, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (113) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Shanghai Shenxie (as controlling shareholder of Shanghai Aohui) and Mr Li, pursuant to which (i) Shanghai Shenxie has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Shanghai Aohui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Aohui, the same shall be paid by Shanghai Shenxie to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Shanghai Aohui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Shanghai Aohui, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (114) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Wuhan Baoze (as controlling shareholder of Nanchang Baoze) and Mr Li, pursuant to which (i) Wuhan Baoze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Nanchang Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Nanchang Baoze, the same shall be paid by Wuhan Baoze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Nanchang Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Nanchang Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (115) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Wuhan Baoze (as controlling shareholder of Guangzhou Baoze) and Mr Li, pursuant to which (i) Wuhan Baoze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Guangzhou Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Guangzhou Baoze, the same shall be paid by Wuhan Baoze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the

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payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Guangzhou Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Guangzhou Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

(116) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Wuhan Baoze (as controlling shareholder of Yichang Baoze) and Mr Li, pursuant to which (i) Wuhan Baoze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Yichang Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Yichang Baoze, the same shall be paid by Wuhan Baoze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Yichang Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Yichang Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

(117) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Wuhan Baoze (as controlling shareholder of Huhhot Qibao) and Mr Li, pursuant to which (i) Wuhan Baoze has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Huhhot Qibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Huhhot Qibao, the same shall be paid by Wuhan Baoze to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Huhhot Qibao in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Huhhot Qibao, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

(118) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Shanghai Luda (as controlling shareholder of Hubei Bocheng) and Mr Li, pursuant to which (i) Shanghai Luda has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders’ rights in Hubei Bocheng in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Bocheng, the same shall be paid by Shanghai Luda to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders’ rights in Hubei Bocheng in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Bocheng, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.

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- (119) The Proxy Agreement dated 17 November 2010 entered into by Wuhan Jietong, Hubei Bocheng (as controlling shareholder of Hubei Jierui) and Mr Li, pursuant to which (i) Hubei Bocheng has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders' rights in Hubei Jierui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Jierui, the same shall be paid by Hubei Bocheng to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders' rights in Hubei Jierui in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Hubei Jierui, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (120) The Proxy Agreement dated entered into by Wuhan Jietong, Huhhot Qibao (as controlling shareholder of Baotou Baoze) and Mr Li, pursuant to which (i) Huhhot Qibao has undertaken, among others, that it shall authorise Mr Li to exercise its shareholders' rights in Baotou Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Baotou Baoze, the same shall be paid by Huhhot Qibao to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment; and (ii) Mr Li has undertaken, among others, that he shall exercise the shareholders' rights in Baotou Baoze in the interests of and/or based on the instruction from Wuhan Jietong and, in case any dividend and/or capital gain is derived from the equity interests in Baotou Baoze, the same shall be paid by Mr Li to Wuhan Jietong as soon as practicable but in any event no later than three days from the receipt of the payment.
- (121) the sale and purchase agreement dated 28 June 2010 entered into between Rising Wave (as purchaser) and Shao Yong Jun, an Independent Third Party (as vendor), pursuant to which Rising Wave agreed to acquire the entire issued share capital in Tongda Group (China), thereby indirectly acquiring the 30% equity interest in Guangzhou Fengshen held by Tongda Group (China). The consideration under such agreement was that Rising Wave should procure the payment of RMB 41 million by Tongda Group (China) to Far Ocean SCM Technology (Hong Kong) Limited by 30 September 2010, failing which Rising Wave shall pay such consideration on behalf of Tongda Group (China). As at the Latest Practicable Date, such consideration has already been settled by Tongda Group (China).
- (122) the agreement dated 11 June 2009 entered into between Hubei Ruishi Auto-sales Services Company Limited* (湖北瑞獅汽車銷售服務有限公司) and Hubei Xinrui (both as transferor) and Yang Zhihai (楊支海), an Independent Third Party, pursuant to which the transferors transferred their entire equity interest in Suizhou Bocheng to Yang Zhihai (楊支海) at a sale price of RMB 200,000.
- (123) the agreement dated 30 December 2009 entered into between Shanghai Shenxie as transferor and Shanghai Yueheng Enterprise Company Limited* (上海悅恒實業有限公司) as transferee, pursuant to which Shanghai Shenxie transferred its 49% equity interest in Shanghai Shenhui to Shanghai Yueheng Enterprise Company Limited* (上海悅恒實業有限公司) at a sale price of RMB 4,900,000.

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- (124) the agreement dated 12 October 2009 entered into between (i) Shanghai Shenxie as transferor and (ii) Shanghai Qiankun Construction Development Company Limited* (上海乾坤建設發展有限公司) and Shanghai Xiebao Enterprises Company Limited* (上海協寶實業有限公司) (both as transferees), pursuant to which Shanghai Shenxie transferred (i) part of its equity interest (50%) in Shanghai Zhengyang to Shanghai Qiankun Construction Development Company Limited* (上海乾坤建設發展有限公司) at a consideration of RMB 14,435,000; and (ii) part of its equity interest (30%) in Shanghai Zhenyang to Shanghai Xiebao Enterprises Company Limited* (上海協寶實業有限公司) at a consideration of RMB 8,661,000.
- (125) a share purchase agreement dated 17 November 2010 and entered into Joy Capital as vendor and our Company as purchaser, pursuant to which our Company acquired the entire issued share capital of Big Glory in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 99,000,000 Shares; and (ii) credited as fully paid at par 1,000,000 nil-paid Shares then held by Joy Capital;
- (126) a deed of indemnity dated 17 November 2010 and executed by Mr. Wang and Joy Capital in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed “Estate duty, tax and other indemnities” of this Appendix; and
- (127)[●]

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, the following trademarks in series were subjects of the Group’s application for trademark registration in Hong Kong, which registration has not yet been granted:

<u>Trademark (in series)</u>	<u>Class (Note)</u>	<u>Application number</u>	<u>Date of filing</u>
	35 and 39	301687429	12 August 2010
			

Note: The products and/or services covered under class 35 include retail sale of cars and related accessories, and the wholesale of car lubricant. The products and/or services covered under class 39 include transportation and logistics.

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Domain name

As at the Latest Practicable Date, we had registered the following domain name:

Domain name	Expiry date
www.zhengtongauto.com	[●]

11. Connected transactions and related party transactions

Save as disclosed in the section headed “Connected Transactions” of this document and in note 29 to our combined financial statement included in the Accountants’ Report, the text of which is set out in Appendix I to this document, during the two years immediately preceding the date of this document, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**12. Directors****(a) *Disclosure of interests of Directors***

- (i) Mr. Wang is interested in the Reorganization.
- (ii) Save as disclosed in this document, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this document.

(b) *Particulars of Directors’ service contracts****Executive Directors***

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 November 2010.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 December 2011 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 10% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year

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of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors under such service contracts are as follows:

Name	Annual salary
	(RMB)
Mr. Wang Kunpeng	180,000
Mr. Li Zhaobo	108,000
Mr. Cao Limin.....	180,000
Mr. Liu Dongli	108,000

Non-executive Director and independent non-executive Directors

Each of our non-executive Director and our independent non-executive Directors has been appointed for an initial term of three years commencing from 17 November 2010. Each of our non-executive Directors is not entitled to any remuneration, which each of our independent non-executive Directors is entitled to a director's fee of HK\$300,000 per annum. Save for directors' fees, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director and/or an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended 31 December 2009 and the six months ended 30 June 2010 were approximately RMB 435,000 and RMB 270,000 respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2010, are expected to be approximately HK\$726,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 as (i) 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.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2009 and the six months ended 30 June 2010.

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(d) *Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations*

The interests or short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions in the Company:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Wang Muqing	Our Company	Settlor of The Grand Glory Trust	[●]	[●]
Wang Kunpeng	Our Company	Beneficial Owner	[●]	[●]
Li Zhubo	Our Company	Beneficial Owner	[●]	[●]
Cao Limin	Our Company	Beneficial Owner	[●]	[●]
Liu Dongli	Our Company	Beneficial Owner	[●]	[●]

Notes:

1. The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.

For further details, please refer to paragraph 15.2 headed “Pre-[●] Share Option Scheme” of the Appendix VII.

Long Positions in the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Yichang Baoze	Interest of controlled corporations (Note 1)	100% (Note 25)
Wang Muqing	Wuhan Kaitai	Interest of a controlled corporation (Note 2)	100% (Note 25)
Wang Muqing	Hubei Xinrui	Interest of a controlled corporation (Note 3)	100% (Note 25)

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Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Hubei Shengze	Beneficial owner	70.4%
Wang Muqing	Zhuhai Boaze	Interest of a controlled corporation (Note 4)	100% (Note 25)
Wang Muqing	Inner Mongolia Dingjie	Interest of a controlled corporation (Note 5)	100% (Note 25)
Wang Muqing	Hubei Dingjie	Interest of a controlled corporation (Note 6)	100% (Note 25)
Wang Muqing	Changsha Ruibao	Interest of a controlled corporation (Note 7)	100% (Note 25)
Wang Muqing	Beijing Baozehang	Interest of a controlled corporation (Note 8)	100% (Note 25)
Wang Muqing	Wuhan Baoze	Interest of a controlled corporation (Note 9)	100% (Note 25)
Wang Muqing	Shanghai Shenxie	Interest of a controlled corporation (Note 10)	100% (Note 25)
Wang Muqing	Chenzhou Ruibao	Interest of a controlled corporation (Note 11)	100% (Note 25)
Wang Muqing	Shantou Hongxiang	Interest of a controlled corporation (Note 12)	100% (Note 25)
Wang Muqing	Dongguan Jieyunhang	Interest of a controlled corporation (Note 13)	100% (Note 25)
Wang Muqing	Shiyan Shenxie	Interest of a controlled corporation (Note 14)	100% (Note 25)
Wang Muqing	Shenxie Shentong	Interest of a controlled corporation (Note 15)	100% (Note 25)
Wang Muqing	Shanghai Luda	Interest of a controlled corporation (Note 16)	100% (Note 25)
Wang Muqing	Shanghai Aohui	Interest of a controlled corporation (Note 17)	100% (Note 25)
Wang Muqing	Inner Mongolia Dingze	Interest of a controlled corporation (Note 18)	100% (Note 25)
Wang Muqing	Hubei Bocheng	Interest of a controlled corporation (Note 19)	100% (Note 25)
Wang Muqing	Hubei Jierui	Interest of a controlled corporation (Note 20)	100% (Note 25)

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Name of Director	Name of associated corporation	Capacity	Approximate percentage of equity interest
Wang Muqing	Huhhoi Qibao	Interest of a controlled corporation (Note 21)	100% (Note 25)
Wang Muqing	Baotou Baoze	Interest of a controlled corporation (Note 22)	100% (Note 25)
Wang Muqing	Nanchang Baoze	Interest of a controlled corporation (Note 23)	100% (Note 25)
Wang Muqing	Guangzhou Baoze	Interest of a controlled corporation (Note 24)	100% (Note 25)

Notes:

1. *Yichang Baoze is held as to 100% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Yichang Baoze held by Wuhan Baoze which is held by Hubei Shengze, all of which are his controlled corporations.*
2. *Wuhan Kaitai is held as to 100% by Hubei Dingjie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Kaitai held by Hubei Dingjie which is held by Hubei Shengze, all of which are his controlled corporations.*
3. *Hubei Xinrui is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Xinrui held by Hubei Shengze, both of which are his controlled corporations.*
4. *Zhuhai Boaze is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Boaze held by Hubei Shengze, both of which are his controlled corporations.*
5. *Inner Mongolia Dingjie is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Inner Mongolia Dingjie held by Hubei Shengze, both of which are his controlled corporations.*
6. *Hubei Dingjie is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Dingjie held by Hubei Shengze, both of which are his controlled corporations.*
7. *Changsha Ruibao is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Changsha Ruibao held by Hubei Shengze, both of which are his controlled corporations.*
8. *Beijing Baozehang is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Beijing Baozehang held by Hubei Shengze, both of which are his controlled corporations.*
9. *Wuhan Baoze is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Wuhan Baoze held by Hubei Shengze, both of which are his controlled corporations.*

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10. *Shanghai Shenxie is held as to 100% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Shenxie held by Hubei Shengze, both of which are his controlled corporations.*
11. *Shantou Hongxiang is held as to 80% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shantou Hongxiang held by Hubei Shengze, both of which are his controlled corporations.*
12. *Chenzhou Ruibao is held as to 80% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Chenzhou Ruibao held by Hubei Shengze, both of which are his controlled corporations.*
13. *Dongguan Jieyunhang is held as to 75% by Hubei Shenze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Dongguan Jieyunhang held by Hubei Shengze, both of which are his controlled corporations.*
14. *Shiyan Shenxie is held as to 100% by Hubei Dingjie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shiyan Shenxie held by Hubei Dingjie which is held by Hubei Shengze, all of which are his controlled corporations.*
15. *Shenxie Shentong is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shenxie Shentong held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.*
16. *Shanghai Luda is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Luda held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.*
17. *Shanghai Aohui is held as to 100% by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Aohui held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.*
18. *Inner Mongolia Dingze is held as to 100% by Shanghai Shenxie, which is held as to 70% by Wuhan Kaitai and as to 30% by Inner Mongolia Dingjie, which are held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Inner Mongolia Dingze held by Wuhan Kaitai and Inner Mongolia Dingjie which are held by Hubei Shengze, all of which are his controlled corporations.*
19. *Hubei Bocheng is held as to 100% by Shanghai Luda, which is held by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Bocheng held by Shenxie Shentong and further held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.*
20. *Hubei Jierui is held as to 100% by Hubei Bocheng, which is held by Shanghai Luda, which is held by Shanghai Shenxie, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Hubei Jierui held by Hubei Bocheng, which is held by Shenxie Shentong and further held by Shanghai Shenxie which is held by Hubei Shengze, all of which are his controlled corporations.*
21. *Huhhoi Qibao is held as to 100% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Huhhoi Qibao held by Wuhan Baoze which is held by Hubei Shengze, all of which are his controlled corporations.*

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22. *Baotou Baoze is held as to 70% by Huhhoi Qibao, which is held by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Baotou Baoze, which is held by Huhhoi Qibao held by Wuhan Baoze, which is further held by Hubei Shengze, all of which are his controlled corporations.*
23. *Nanchang Baoze is held as to 20% by Changsha Ruibao and as to 80% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Nanchang Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.*
24. *Guangzhou Baoze is held as to 40% by Changsha Ruibao and as to 60% by Wuhan Baoze, the entire equity interest of which is held by Hubei Shengze, which in turn is held as to 70.4% by Wang Muqing and as to 29.6% by a financial institution of the PRC. Wang Muqing is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Baoze held by Changsha Ruibao and Wuhan Baoze, which are held by Hubei Shengze, all of which are his controlled corporations.*
25. *The percentage shareholding shown is the equity interest in the relevant subsidiary attributable to Hubei Shengze (or its wholly owned subsidiary). Wang Muqing is interested in approximately 70.4% of the entire registered capital in Hebei Shengze.*

13. Interest discloseable under the SFO and substantial shareholders

The following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name of Shareholders	Capacity/nature of interest	Number and class of securities (<i>Note 1</i>)	Approximate percentage of shareholding
Joy Capital	Beneficial owner	[●] Shares (L)	[●]%
Grand Glory	Interest in controlled corporation (<i>Note 2</i>)	[●] Shares (L)	[●]%

Note:

1. *The letter “L” denotes the person or corporation’s long position in the shares of the Company.*
2. *Joy Capital is the direct owner of 1,500,000,000 Shares. The entire issued share capital is owned by Grand Glory Enterprises Limited, whose entire issued share capital is the trust asset of The Grand Glory Trust, which was founded by Mr. Wang as settlor and managed by J.P. Morgan Trust Company (Bahamas) Limited as trustee for The Grand Glory Trust, which is a trust established in accordance with the Purpose Trust Act 2004 of Bahamas. The discretionary beneficiaries of The grand glory Trust include members of the Wang Family.*

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OTHER INFORMATION

15. Share Option Scheme and Pre-[●] Share Option Scheme

15.1 *Share Option Scheme*

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then sole Shareholder on 17 November 2010:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15.1, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (“Eligible Employee(s)”) (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the “Invested Entity”) in which our Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to our Group or any member of any Invested Entity;

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- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any advisor (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors’ option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on [●] (the “General Scheme Limit”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

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An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “Exercise Date”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

[●]

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

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(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

[●]

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(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors.

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When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi); and

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

[●]

(b) *Present status of the Share Option Scheme*

[●]

15.2 *Pre-[●] Share Option Scheme*

(a) *Summary of terms*

The purpose of the Pre-[●] Share Option Scheme is to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the [●] of the Shares on [●]. The principal terms of the Pre-[●] Share Option Scheme adopted by a resolution in writing passed by the then sole Shareholder on 17 November 2010 are similar to the terms of the Share Option Scheme except that:

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- (i) the classes of eligible participants are different from that provided in paragraph 15.1 (a)(ii);
- (ii) the subscription price for Shares under the Pre-[●] Share Option Scheme is determined by the board of Directors at its discretion and is not required to be subject to the restrictions under Chapter 17 of the Listing Rules;
- (iii) the general scheme limit, the individual limit applicable to each proposed grantee and the restrictions on grant of options to a connected person as referred to in paragraphs 15.1(a)(iii)(bb), 15.1(a)(iv) and 15.1(a)(v), respectively, do not apply;
- (iv) the rules of the Pre-[●] Share Option Scheme were adopted unconditionally by a resolution in writing passed by the then sole Shareholder on 17 November 2010 (based on a proposal on pre-[●] share option scheme approved in principle by the Board on 10 August 2010), but the exercise of any option granted thereunder is conditional upon the [●] pursuant to the exercise of options granted under the Pre-[●] Share Option Scheme on or before the date falling 30 days after the date of this document, failing which such options granted and the Pre-[●] Share Option Scheme shall forthwith lapse;
- (v) the Directors may only grant options under the Pre-[●] Share Option Scheme at any time within a period commencing on 10 August 2010 and ending on the Latest Practicable Date;
- (vi) any offer of option made by the Directors under the Pre-[●] Share Option Scheme shall be open for acceptance for a period of up to the earlier of 21 days from the relevant offer date or the Latest Practicable Date; and
- (vii) in the event of a capitalisation of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable or the Pre-[●] Share Option Scheme, the number or nominal amount of Shares to which the Pre-[●] Share Option Scheme or any option relates and/or the subscription price of the option concerned and/or the number of Shares comprised in an option granted under the Pre-[●] Share Option Scheme is subject to adjustments on terms similar to that of the Share Option Scheme as referred to in paragraph 15.1(a)(xxiv) below, except that sub-paragraph (dd) of paragraph 15.1(a)(xxiv) is not applicable to the Pre-[●] Share Option Scheme and options granted thereunder.

A nominal consideration of RMB1 is payable on acceptance of the grant of each pre-[●] Share Option.

(b) *Present status of the Pre-[●] Share Option Scheme*

As at the Latest Practicable Date, the Pre-[●] Share Options to subscribe for an aggregate of [●] Shares had been granted to the Directors and certain senior management and employees and former employees of the Group, representing (i) approximately [●]% of the issued share capital of the Company [●].

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The expiry date of the exercise period for all Options (regardless of the Categories) is the day falling the 7th anniversary of the dates of grant of the respective Pre-[●] Share Options (which falls in the period between 10 August 2010 and 17 November 2010).

<u>Tranche no.</u>	<u>Maximum cumulative percentage of the total number of Shares under the Pre-[●] Share Options that can be subscribed for pursuant to the exercise of the Pre-[●] Share Options</u>
First tranche	50%
Second tranche	25%
Third tranche	25%

The exercise of the Pre-[●] Share Options are subject to, among others, the following conditions precedent being met:

- (a) appraisal of performance of the relevant grantee for the immediately preceding financial year meets the prescribed standard; and
- (b) the relevant grantee was not subject to any disciplinary or penal actions of the Group or any governmental authority in the immediately preceding financial year.

(c) *Outstanding Pre-[●] Share Options*

Particulars of the outstanding Pre-[●] Share Options which have been granted under the Pre-[●] Share Option Scheme as at the Latest Practicable Date are set out below:

<u>Name of the grantees (Note 1)</u>	<u>Position within the Group</u>	<u>Residential address of grantee</u>	<u>Exercise period (Note 2)</u>	<u>Number of underlying Shares under the options</u>	<u>Approximate percentage of shareholding held upon exercise of all Pre-[●] Share Options (Note 3)</u>
Directors					
Wang Kunpeng	Executive Director and chief executive officer	Room 18A Block 29 Weilan Hai'an Phase III Shenzhen Guangdong Province PRC	Type 1	2,050,000	[●]%
Li Zhubo	Executive Director and chief financial officer	No. 10, 21/F No. 707 Zhongshan Main Road Jiangan District Wuhan City PRC	Type 1	2,050,000	[●]%

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Name of the grantees (Note 1)	Position within the Group	Residential address of grantee	Exercise period (Note 2)	Number of underlying Shares under the options	Approximate percentage of shareholding held upon exercise of all Pre-[●] Share Options (Note 3)
Cao Limin	Executive Director and senior vice-president	No. 801, Door 3 Block 3 No.5 Tiejiangwan Road Shiyan City Hubei Province PRC	Type 1	2,050,000	[●]%
Liu Dongli	Executive Director and chief investment officer	No. 139 333 Qingtong Road Pudong xin District Shanghai PRC	Type 1	2,050,000	[●]%
Senior management					
Mok Kwok Choi Peter	Chief Operating Officer	8C, Huadong block one, Chateau Regalia, Tianzhu town, Shunyi District, Beijing Postal code: 101300	Type 3	1,370,000	[●]%
Wang Guoqing	Chief human resource officer	Flat A4-601, No. 9 Fangyuan South Street, Beijing Postal code: 100016	Type 2	1,030,000	[●]%
Liang, Current Tien Tzu	Financial controller and company secretary of the Company	Flat A, 23/F, Block 4 Serenity Place 88 Po Hong Road, TKO New Territories Hong Kong	Type 3	1,030,000	[●]%
88 employees or former employees of our Group				11,907,900	[●]%
				<u>23,537,900</u>	<u>[●]%</u>

Notes:

- Each grantee, upon accepting the Pre-[●] Share Options, is deemed to have undertaken to the Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-[●] Share Option Scheme, the allotment and issue of Shares to him/her upon the exercise of his/her option and the holding of such Shares.
- Please refer to paragraph 15.2(b) above of this Appendix VII.
- These percentages are calculated on the basis of [●] Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue and assuming that all Pre-[●] Share Options have not been exercised in full but does not take into account any Shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme.

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The shareholding structure of the Company before and after the full exercise of all the options granted under the Pre-[●] Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately before the exercise of the options granted under the Pre-[●] Share Option Scheme		Shareholding structure immediately after completion of full exercise of the options granted under the Pre-[●] Share Option Scheme	
	No. of Shares	Percentage shareholding	No. of Shares	Percentage shareholding
Joy Capital	[●]	[●]%	[●]	[●]%
Grantees under the Pre-[●] Share Option Scheme	—	—%	[●]	[●]%
Public Shareholders	[●]	[●]%	[●]	[●]%
Total:	[●]	—%	[●]	[●]%

Effect on the earnings per share as a result of the Pre-[●] Share Options

The Shares underlying the Pre-[●] Share Options represent about [●]% of our enlarged share capital as of the [●] (assuming all Pre-[●] Share Options have not been exercised at all and no Shares have been issued upon the exercise of options granted under the Share Option Scheme). If all the Pre-[●] Share Options are exercised in full, this would have a dilutive effect on our Shareholders of approximately [●]% and a dilutive effect of approximately [●]% on earnings per Share.

Waiver from the Stock Exchange and exemption from the SFC

Under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, this document is required (“Share Option Disclosure Requirements”) to include details of the number, description and amount of any of our Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, we granted Pre-[●] Share Options to 95 persons to subscribe for an aggregate of [●] Shares, representing approximately [●]% of the total number of issued Shares immediately following the Capitalisation Issue and completion of the [●] (assuming all Pre-[●] Share Options have not been exercised at all and no Shares have been issued upon the exercise of options granted under the Share Option Scheme) on the terms set out in this paragraph 15.2 headed “Pre-[●] Share Option Scheme”.

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16. Estate duty, tax and other indemnity

Mr. Wang and Joy Capital (together, the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract No. 126 referred to in paragraph 9 above) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the [●]; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the [●], whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2010;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on 1 July 2010 and ended on the [●], where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2010; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2010 or pursuant to any statement of intention made in the document; or
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue

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Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2010 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Pursuant to the deed of indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group, among other liabilities or potential liabilities (i) any penalty which may be imposed on our Group, or any costs, expenses and losses which our Group may suffer in connection with such penalty, due to our Group’s failure to observe laws, regulations or rules concerning social security funds, housing accumulation funds or any other laws and regulations in connection with the employee’s welfare and benefits in the PRC; (ii) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings our Group may suffer from not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this document; and (iii) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings arising from the relocation by our Group arising from or in connection with the lessors’ lack of relevant title certificates or documents or the lessors’ registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of our Group ((i) to (iii) together, the “Liability”).

Each of the Indemnifying Parties will, however, not be liable under the deed of indemnity for taxation and Liability where (1) provision has been made for such taxation or Liability in the consolidated audited accounts of our Company or the audited accounts of any member of the Group up to 30 June 2010 (“Accounts”); (2) the taxation or Liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the Effective Date; (3) the taxation or Liability would not have arisen but for any act or omission of or delay by any member of our Group voluntarily effected after the date of the deed of indemnity (other than pursuant to a legally binding commitment created on or before the date of the deed of indemnity) without the prior written consent of the Indemnifying Party, and otherwise than in the ordinary course of business; and (4) provision or reserve made for such taxation or Liability in the Accounts for the three years and the six months ended 30 June 2010 is established to be an over-provision or an excessive reserve.

17. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

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18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$5,370 and are payable by our Company.

19. Promoter

- (a) The promoter of our Company is Mr. Wang.
- (b) Save as disclosed herein, within the two years preceding the date of this document, no amount or benefit has been paid or given to any promoters of our Company in connection with the [●] or the related transactions described in this document.

25. Taxation of holders of Shares

Dealings in Shares registered on the Company’s Hong Kong register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the [●] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.