



Sunfonda Group Holdings

Sunfonda Group Holdings Limited

新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771



GLOBAL OFFERING

Sole Sponsor

J.P.Morgan

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



Sunfonda Group Holdings

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	150,000,000 Shares (subject to the Over-allotment Option)
Number of International Offer Shares	:	135,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	15,000,000 Shares (subject to adjustment)
Offer Price	:	HK\$3.61 per Hong Kong Offer Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars)
Nominal value	:	US\$0.0001 per Share
Stock Code	:	01771

Sole Sponsor

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

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

Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$3.61 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our Company's consent, reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the Offer Price stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the number of Offer Shares and/or the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.sunfonda.com.cn. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the Hong Kong Underwriting Agreement, the Joint Global Coordinators (on behalf of the Underwriters) has the right in certain circumstances to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that the Offer Shares may be offered, sold or delivered in the United States to qualified institutional buyers in accordance with the restrictions of Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act and outside the United States in offshore transactions in accordance with Regulation S.

April 30, 2014

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on May 7, 2014
Application lists open ⁽³⁾	11:45 a.m. on May 7, 2014
Latest time for lodging WHITE and YELLOW Application Forms.....	12:00 noon on May 7, 2014
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on May 7, 2014
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s).....	12:00 noon on May 7, 2014
Application lists close ⁽³⁾	12:00 noon on May 7, 2014
(1) Announcement of: <ul style="list-style-type: none"> the level of applications in the Hong Kong Public Offering; the level of indications of interest in the International Offering; and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before 	May 14, 2014
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" in this prospectus	May 14, 2014
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁵⁾ and our Company's website at www.sunfonda.com.cn ⁽⁶⁾ from.....	May 14, 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function from	May 14, 2014
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾⁽⁸⁾	May 14, 2014

EXPECTED TIMETABLE⁽¹⁾

Despatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ May 14, 2014

Dealings in the Shares on the Stock Exchange expected to commence on..... May 15, 2014

Notes:

- (1) All dates and times refer to Hong Kong dates and times, unless otherwise stated.
- (2) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on May 7, 2014, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on May 7, 2014, the dates mentioned above may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
- (6) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares are expected to be issued on May 14, 2014 but will only become valid if the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date, which is expected to be May 15, 2014. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as possible thereafter.
- (8) Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund cheques and Share certificates (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on May 14, 2014. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Computershare Hong Kong Investor Services Limited.

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

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

Applicants who apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and whose applications are wholly or partially successful, may collect their Share certificates in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on May 14, 2014. For applicants who apply for less than 1,000,000 Hong Kong Offer Shares, Share certificates will be sent to the address specified in their application instructions to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk on May 14, 2014 by ordinary post and at their own risk.

EXPECTED TIMETABLE⁽¹⁾

Applicants who paid the application monies from a single bank account may have e-Refund payment instructions (if any) despatched to the application payment bank account on May 14, 2014. Applicants who used multi-bank accounts to pay the application monies may have refund cheques (if any) despatched to them on May 14, 2014.

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

- (9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event the final Offer Price is less than the price payable per Offer Share on application.

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

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IMPORTANT NOTICE TO INVESTORS

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

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

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SUMMARY

OVERVIEW

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR. In addition, we were the largest automobile dealership group in Xi'an City and Shaanxi Province in terms of revenue in 2012, according to ACMR.

According to ACMR, Xi'an City was the largest city in Shaanxi Province in terms of GDP in 2013, accounting for approximately 30.4% of the total GDP of Shaanxi Province in 2013, compared to Yulin, which was the second largest city in Shaanxi Province in terms of GDP in 2013 and accounted for 17.7% of the total GDP of Shaanxi Province in 2013. In addition, according to ACMR, Xi'an City was the largest automobile market in Shaanxi Province in terms of new automobile plate registration volume in 2012, which accounted for 50.9% of the total new automobile plate registration volume of Shaanxi Province in 2012, compared to Yulin, which was the second largest city in Shaanxi Province in terms of new automobile plate registration volume in 2012 and accounted for 16.8% of the total new automobile plate registration volume of Shaanxi Province in 2012. According to ACMR, Shaanxi Province was the largest province in Northwestern China in terms of GDP in 2013, accounting for 45.1% of the total GDP of Northwestern China in 2013, compared to Xinjiang, which was the second largest provincial region in Northwestern China in terms of GDP in 2013 and accounted for 23.9% of the total GDP of Northwestern China in 2013. In addition, according to ACMR, Shaanxi Province was the largest automobile market in Northwestern China in terms of new automobile plate registration volume in 2012, which accounted for 43.6% of the total new automobile plate registration volume of Northwestern China in 2012, compared to Xinjiang, which was the second largest market in Northwestern China in terms of new automobile plate registration volume in 2012 and accounted for 23.0% of the total new automobile plate registration volume of Northwestern China in 2012.

As of the Latest Practicable Date, we had 26 outlets in operation, including 17 4S dealership stores, eight showrooms and one service center, and 15 out of our 26 outlets in operation were located in Xi'an in Shaanxi Province and contributed approximately 74.8% to our total revenue for 2013. As of the Latest Practicable Date, our remaining 11 outlets were located in Yan'an in Shaanxi Province, Lanzhou in Gansu Province, Yinchuan in Ningxia, Taiyuan in Shanxi Province, Ordos in Inner Mongolia and Wuxi and Suzhou in Jiangsu Province. As of the Latest Practicable Date, 19 out of our 26 outlets were located in Northwestern China. We have a proven track record of establishing successful and high quality outlets. In Northwestern China, we were the first to set up outlets for Cadillac, Porsche, Bentley, Ferrari/Maserati and Hongqi, and among the first dealerships to set up outlets for Audi. As of the Latest Practicable Date, we had ten outlets covering such ultra-luxury automobile brands as Porsche and Ferrari/Maserati, for which we were the only dealer in Northwestern China, two outlets covering Bentley, for which we were the only dealer in Shaanxi Province, and 13 outlets covering such luxury automobile brands as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. As of the Latest Practicable Date, we had received non-binding letters of intent from automobile suppliers, and we planned to establish one outlet for ultra-luxury automobile brand of Ferrari/Maserati, nine outlets for luxury automobile brands including Audi, Volkswagen Imported, Hongqi and Chrysler and one outlet for Shanghai Volkswagen, a middle market brand.

SUMMARY

We offer a comprehensive range of automobile sales and services, including (i) the sale of automobiles, both imported and domestically manufactured, and (ii) after-sales services, including maintenance and repair services, sales of spare parts and automobile detailing services. We also provide other value-added services, such as automobile insurance agency services, automobile financing services, automobile licensing services and automobile survey services.

We derive a majority of our revenue from automobile sales. Our revenue generated from sales of automobiles accounted for 92.9%, 91.9% and 90.7% of our total revenue for 2011, 2012 and 2013, respectively. The following table sets forth a breakdown of the sales volumes, revenue and profit from automobile sales by brand segments for the periods indicated:

	Year ended December 31,														
	2011					2012					2013				
	Revenue	%	Gross Profit	%	Gross Margin	Revenue	%	Gross Profit	%	Gross Margin	Revenue	%	Gross Profit	%	Gross Margin
	RMB'000					RMB'000					RMB'000				
Automobile sales															
Luxury and ultra-luxury brands	4,410,970	82.5	353,833	68.6	8.0%	6,122,318	85.0	312,990	55.6	5.1%	6,308,165	84.9	336,655	54.0	5.3%
Middle market brands	556,514	10.4	19,319	3.7	3.5%	496,951	6.9	5,540	1.0	1.1%	431,200	5.8	568	0.0	0.1%
Subtotal.	4,967,484	92.9	373,152	72.3	7.5%	6,619,269	91.9	318,530	56.6	4.8%	6,739,365	90.7	337,223	54.0	5.0%
After-sales services															
Luxury and ultra-luxury brands	339,750	6.3	126,698	24.6	37.3%	536,336	7.4	225,930	40.2	42.1%	645,914	8.7	268,209	43.0	41.5%
Middle market brands	41,170	0.8	16,054	3.1	39.0%	49,627	0.7	18,027	3.2	36.3%	47,420	0.6	18,494	3.0	39.0%
Subtotal.	380,920	7.1	142,752	27.7	37.5%	585,963	8.1	243,957	43.4	41.6%	693,334	9.3	286,703	46.0	41.4%
Total	5,348,404	100.0	515,904	100.0	9.6%	7,205,232	100.0	562,487	100.0	7.8%	7,432,699	100.0	623,926	100.0	8.4%

The gross profit of our Toyota outlet, a middle market brand, decreased significantly from 2011 to 2013, primarily due to a significant decrease in gross profit from the sales of new Toyota-branded automobiles as a result of anti-Japan market sentiment resulting from the dispute over the Diaoyu Islands.

We have been continuously improving our after-sales service capabilities. During the Track Record Period, a majority of our new customers who purchased our luxury and ultra-luxury automobiles returned to our 4S dealership stores for maintenance or repair services. The throughput volume of after-sales services increased from 111,513 units for 2011 to 154,641 units for 2012 and further increased to 170,173 units for 2013. For 2011, 2012 and 2013, our revenue generated from after-sales services accounted for 7.1%, 8.1% and 9.3%, respectively, of our total revenue.

OUR OUTLETS

We have been expanding our dealership network through steady organic growth, with the number of our outlets more than doubling since 2007 due to the increase in the number of luxury and ultra-luxury automobile outlets. As of the Latest Practicable Date, we had 17 4S dealership stores, eight showrooms and one service center. A 4S dealership store refers to a dealership

SUMMARY

authorized to provide four integrated standard automobile-related businesses, including sales, spare parts, service and survey. In China, the majority of automobiles are distributed through 4S dealership stores. Our showrooms only provide sales of automobiles. The following table sets forth the number of our outlets as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
Ultra-luxury Brands	3	7	9	12
Luxury Brands	8	12	13	13
Middle Market Brand	1	1	1	1
Total	<u>12</u>	<u>20</u>	<u>23</u>	<u>26</u>

Note: In August 2013, we terminated the operations of our Chrysler showroom in Yulin in Shaanxi Province after a trial operation. In June 2013, we disposed of our Volkswagen Imported outlet in Yangzhou in Jiangsu Province. For more details, see “Our Business — Our Outlets — Dealership Arrangements” beginning on page 136 of this prospectus.

As of the Latest Practicable Date, among our 26 outlets in operation, 24 were located in Shaanxi Province, Inner Mongolia, Shanxi Province, Gansu Province and Ningxia, where we see an increasing yet unmet demand for ultra-luxury and luxury automobiles from the growing affluent population in the region.

As part of our expansion plan and in order to further strengthen our market presence, we plan to open 11 new outlets by the end of 2014, including four outlets for such luxury and ultra-luxury brands as Ferrari/Maserati, Audi, Volkswagen Imported and Hongqi in Northwestern China, one Volkswagen Imported 4S dealership store in Taiyuan in Shanxi Province, one Audi 4S dealership store in Beijing, one Volkswagen Imported 4S dealership store in Wuxi in Jiangsu Province, one Audi 4S dealership store in Yangzhou in Jiangsu Province, one Volkswagen Imported showroom and one Chrysler 4S dealership store in Suzhou in Jiangsu Province and one 4S dealership store for Shanghai Volkswagen, a middle market brand, in Xi’an in Shaanxi Province by the end of 2014.

We estimate that the capital expenditure for these outlets will range between RMB30 million and RMB80 million per outlet, depending on such factors as the location and brands of the outlets. We expect to use 30% of the capital expenditures for the acquisition of land use rights, 55% for the construction and decoration of our outlets, 10% for equipment and furniture and 5% for the procurement of test drive automobiles. The estimated capital expenditures for each new outlet are in line with the historical capital expenditures we have incurred.

As of December 31, 2013, we expected to incur approximately RMB805.7 million of capital expenditures for our planned outlets, of which approximately RMB365.7 million of capital expenditures had already been incurred. We expect to fund such capital expenditures primarily through the net proceeds from the Global Offering and cash generated from our operations.

For more details, please see “Our Business — Our Outlets” beginning on page 130 of this prospectus.

SUMMARY

DEALERSHIP ARRANGEMENTS

All of our outlets are subject to a non-exclusive dealership authorization arrangement with one automobile supplier to offer only the products of and services for one or more brands of that automobile supplier. Under our existing dealership authorization agreements, the automobile suppliers typically set forth certain requirements and restrictions that we need to follow.

Under these agreements, the automobile suppliers specify the locations of our outlets and require us to observe their recommended pricing guidelines from time to time. Their representatives conduct site-visits, including unscheduled visits, to inspect the compliance of our outlets with their requirements. The automobile suppliers will set sales targets for us, regularly evaluate our performance and customer satisfaction level and conduct regular audits. For more details of the major terms of the dealership agreements, please refer to “Our Business — Our Outlets — Dealership Arrangements” beginning on page 136 of this prospectus.

Since our inception, none of our dealership authorization agreements has been terminated by automobile suppliers, and we have been able to renew all of our dealership authorizations upon expiration. We do not expect any of our dealership authorization agreements to be terminated in the next 12 months. For more details, please see “Our Business — Our Outlets — Dealership Arrangements” beginning on page 136 of this prospectus.

Automobile suppliers typically grant rebates with reference to the units of new automobiles which automobile dealers purchase or sell. Automobile suppliers may also grant us additional rebates based on the evaluation of our overall performance. During the Track Record Period, most of our rebates were settled by deducting the aggregate purchase price payable by us for subsequent automobile purchase orders, with the rest paid to us in cash.

For 2011, 2012 and 2013, we recorded rebates from automobile suppliers of RMB71.1 million, RMB175.2 million and RMB226.8 million, respectively, which accounted for 13.8%, 31.1% and 36.4% of our gross profit during the same periods, respectively. For further details, please refer to the section headed “Our Business — Suppliers and Procurement — Rebate” beginning on page 152 of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors:

- Second largest luxury and ultra-luxury automobile dealership group in Northwestern China
- Strategic outlet network in Northwestern China with strong growth potential in the luxury and ultra-luxury segments
- Strong focus on luxury and ultra-luxury brands, which has been the driver of our revenue and profit growth
- Long-term strong relationships with leading automobile suppliers, in particular our strategic cooperation with the Volkswagen Group and its portfolio brand companies
- Ability to achieve sustainable growth through our effective and replicable expansion model

SUMMARY

- Experienced senior management team with strong track records and are supported by a team of talented and well-trained professionals

OUR STRATEGIES

Our goal is to strengthen our leading market position and to capture opportunities in the rapidly expanding automobile market in China. We intend to achieve these goals through the following strategies:

- Continue to strengthen our leading market position in Northwestern China and selectively expand into new markets in China
- Continue to enhance our existing brands and further diversify our portfolio of luxury and ultra-luxury automobile brands that we offer
- Expand the scope of our after-sales services, improve the efficiency of our after-sales services and improve our customer service quality
- Further strengthen our brand, operational efficiency and sales and marketing efforts
- Continue to attract, train and retain skilled employees to support our future growth and expansion

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information as of and for the years ended December 31, 2011, 2012 and 2013. We have derived this summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The summary below should be read in conjunction with the consolidated financial information included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information was prepared in accordance with HKFRSs.

Selected Items of Consolidated Statements of Profit or Loss

	Year ended December 31,		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5,348,404	7,205,232	7,432,699
Cost of sales and services	(4,832,500)	(6,642,745)	(6,808,773)
Gross profit	515,904	562,487	623,926
Other income and gains, net	35,570	64,119	93,901
Selling and distribution costs	(139,648)	(176,047)	(192,391)
Administrative expenses	(110,025)	(145,559)	(152,270)
Profit from operations	301,801	305,000	373,166
Finance costs	(40,994)	(116,695)	(124,584)
Profit before tax	260,807	188,305	248,582
Income tax	(66,809)	(48,091)	(62,969)
Profit for the year	193,998	140,214	185,613

SUMMARY

Selected Items of Consolidated Statements of Financial Position

	As of December 31,		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL NON-CURRENT ASSETS	655,897	1,003,622	1,256,686
TOTAL CURRENT ASSETS	1,453,098	2,178,348	2,130,488
TOTAL CURRENT LIABILITIES	1,306,561	2,254,773	2,205,905
NET CURRENT ASSETS/(LIABILITIES)	146,537	(76,425)	(75,417)
TOTAL ASSETS LESS CURRENT LIABILITIES	802,434	927,197	1,181,269
NON-CURRENT LIABILITIES	118,693	83,170	145,188
NET ASSETS	683,741	844,027	1,036,081
TOTAL EQUITY	683,741	844,027	1,036,081

Net current liabilities

As of December 31, 2012, we had net current liabilities of RMB76.4 million, which was primarily due to a significant increase in short-term bank borrowings from RMB485.0 million as of December 31, 2011 to RMB1,337.4 million as of December 31, 2012 for the expansion of our business. Our net current liabilities remained relatively stable at RMB75.4 million as of December 31, 2013.

SUMMARY

As of February 28, 2014, our net current liabilities decreased slightly to RMB68.9 million. As of February 28, 2014, we had unutilized and unrestricted banking facilities of RMB1.2 billion. Our Directors believe that with the available banking facilities, the cash generated from our operating activities and the net proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position in the future. See “Risk Factors — Risks Relating to Our Business — We had net current liabilities position as of December 31, 2012 and 2013” beginning on page 34 of this prospectus.

Operating cash flow

We had negative operating cash flow of RMB12.9 million and RMB294.5 million for 2011 and 2012, respectively, primarily due to our increased need for working capital as a result of our business expansion. For 2013, we had positive operating cash flow of RMB403.2 million. See “Risk Factors — Risks Relating to Our Business — We have recorded, and may continue to record, negative operating cash flows due to our rapid expansion” on page 33 and “Financial Information — Liquidity and Capital Resources — Cash Flow Generated from/(Used in) Operating Activities” beginning on page 213 of this prospectus.

KEY OPERATING DATA

The following table sets forth our average revenue per outlet that we had operated for at least one fiscal year for the periods indicated:

Year ended December 31,					
2011		2012		2013	
Number of outlets	Average revenue per outlet (RMB in millions)	Number of outlets	Average revenue per outlet (RMB in millions)	Number of outlets	Average revenue per outlet (RMB in millions)
7	731.8	12	525.7	18	405.2

Our average revenue per outlet that we had operated for at least one fiscal year decreased from RMB731.8 million for 2011 to RMB525.7 million for 2012, and further decreased to RMB405.2 million for 2013. The decreases in our average revenue per outlet that we had operated for at least one fiscal year were primarily due to the combination of following reasons. We opened five new outlets in 2011, including one Bentley outlet, one Audi outlet, one Volkswagen Imported outlet, one Cadillac outlet and one Lexus outlet. It took us time to fully ramp up the operations of these five stores. Furthermore, two of these five outlets are showrooms, which usually generate less revenue than 4S dealership stores as showrooms do not provide after-sales services. We opened six new outlets in 2012, including two Porsche outlets, one Bentley outlet, one Ferrari/Maserati outlet, one Audi outlet and one Volkswagen imported outlet, two of which are showrooms, and for similar reasons, our average revenue per outlet that we had operated for at least one fiscal year further decreased for 2013.

SUMMARY

The following table sets forth the revenue and the percentage of revenue contribution by automobile brand for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue	Revenue	Percentage to total revenue
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Ultra-luxury brands						
Porsche	1,162.7	21.7	1,942.2	27.0	2,077.9	28.0
Bentley	15.1	0.3	151.1	2.1	185.7	2.5
Ferrari/Maserati	—	—	15.7	0.2	131.5	1.8
Subtotal	<u>1,177.8</u>	<u>22.0</u>	<u>2,109.0</u>	<u>29.3</u>	<u>2,395.1</u>	<u>32.3</u>
Luxury brands						
Audi	1,505.3	28.2	2,522.6	35.0	2,734.9	36.8
Volkswagen Imported	970.3	18.1	1,160.0	16.1	1,137.2	15.3
Lexus	588.7	11.0	489.9	6.8	334.9	4.5
Cadillac	508.6	9.5	350.4	4.8	328.3	4.4
Chrysler	—	—	26.7	0.4	13.8	0.2
Benz	—	—	—	—	2.5	0.0
Hongqi	—	—	—	—	7.4	0.1
Subtotal	<u>3,572.9</u>	<u>66.8</u>	<u>4,549.6</u>	<u>63.1</u>	<u>4,559.0</u>	<u>61.3</u>
Middle market brand						
Toyota	<u>597.7</u>	<u>11.2</u>	<u>546.6</u>	<u>7.6</u>	<u>478.6</u>	<u>6.4</u>
Total	<u>5,348.4</u>	<u>100.0</u>	<u>7,205.2</u>	<u>100.0</u>	<u>7,432.7</u>	<u>100.0</u>

The average selling prices of luxury and ultra-luxury brand automobiles offered by us generally decreased for 2012 when compared to 2011, and the average selling prices of most luxury and ultra-luxury brand automobiles offered by us decreased for 2013 when compared to 2012. These decreases were primarily due to (i) the fact that the mix of automobile models offered by us shifted to lower configuration models as our automobile suppliers have promoted sales of lower configuration models in order to cater to the change in customers' demands given the change in market sentiment, as well as an increase in the supply of domestically-manufactured automobiles, which had lower prices than imported models; and (ii) the reduction of the selling prices of certain automobiles with low turnover rates by us pursuant to the policies and requests of our automobile suppliers in order to facilitate the turnover of older models. We believe the combination of these factors contributed to the decrease in our gross margin of new automobile sales in 2012. Although our average selling prices decreased in 2013, we managed to improve the mix of the automobile models we offered to our customers, which allowed us to enjoy an increase in our gross margin of new automobile sales in 2013. Please refer to "Financial Information" beginning on page 191 of this prospectus for further information.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods and as of the dates indicated:

	Year ended and as of December 31,		
	2011	2012	2013
Profitability			
Return on equity	28.4%	16.6%	17.9%
Return on total assets	9.2%	4.4%	5.5%
Liquidity			
Current ratio	1.1	1.0	1.0
Capital Adequacy			
Debt to equity ratio	57.6%	138.6%	115.0%
Interest coverage	7.4	2.6	3.0

RECENT DEVELOPMENTS

For the two months ended February 28, 2014, we sold 2,489 units of new automobiles and the throughput volume of our after-sales services was 25,932 units. Our revenue, gross profit and gross margin for the two months ended February 28, 2014 increased compared to those for the two months ended February 28, 2013. Our Directors confirm that, after having performed reasonable due diligence on our Group, there has been no material adverse change in our Group's financial or trading position or prospects since January 1, 2014 to the date of this prospectus.

As far as our Directors are aware, there has been no change in the general economic or market conditions or in the automobile industry of the PRC as a whole, or in the markets where we have operations, which would have a material and adverse impact on our business operations or financial condition since January 1, 2014 to the date of this prospectus.

LISTING EXPENSES

The estimated expenses in relation to the Global Offering are approximately RMB60.3 million, of which approximately RMB41.3 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering in the year 2014. The remaining estimated listing expenses of approximately RMB19.0 million, which cannot be so deducted, was or will be charged to profit or loss, of which approximately RMB12.4 million was charged during the Track Record Period, and approximately RMB6.6 million is expected to be incurred before or upon completion of the Global Offering in the year 2014. This calculation is based on the Offer Price of HK\$3.61 per Offer Share and the assumption that 150,000,000 Shares expected to be issued under the Global Offering and 600,000,000 Shares are issued and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised).

CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTMENT

Immediately after the completion of the Global Offering, Golden Speed and Win Force will jointly hold 58.5% of our outstanding Shares, assuming the Over-allotment Option is not

SUMMARY

exercised. Golden Speed is wholly owned by Mr. Wu and Win Force is wholly owned by Ms. Chiu. Golden Speed, Win Force, Mr. Wu and Ms. Chiu will be considered as our Controlling Shareholders, holding in aggregate approximately 58.5% of our outstanding Shares upon the Listing.

Pursuant to a share subscription agreement (the “Share Subscription Agreement”) dated April 10, 2011 entered into among our Founders, together with their direct and indirect wholly owned subsidiaries and Standard Chartered Private Equity, Standard Chartered Private Equity subscribed for 5,000 Series A preferred shares of Top Wheel (the “Series A Preferred Shares”), with the subscription price of approximately US\$34.37 million, representing 20% of Top Wheel’s allotted and issued share capital as then enlarged on a fully-diluted and as-converted basis (the “Pre-IPO Investment”). It is expected that, immediately prior to the completion of the Global Offering, the Series A Preferred Shares will be converted into the ordinary shares of Top Wheel, which will then be repurchased by Top Wheel. As consideration for such repurchase, Top Wheel will transfer 90,000,000 Shares it holds to Standard Chartered Private Equity. Immediately upon completion of the above share swap, Standard Chartered Private Equity will cease to be a shareholder of Top Wheel and will hold 90,000,000 Shares in our Company, representing 20% of our total issued share capital immediately prior to the Global Offering, and approximately 15% (assuming the Over-allotment Option is not exercised) to 14.5% (assuming the Over-allotment Option is exercised in full) of the issued share capital of our Company upon completion of the Global Offering.

For further details and the terms of the Pre-IPO Investment, please refer to the paragraph headed “Our History and Reorganization — Pre-IPO Investment” beginning on page 95 of this prospectus.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option will not be exercised.

	Based on the Offer Price of HK\$3.61
Market capitalization of our Shares ⁽¹⁾	HK\$2,166.0 million
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$2.92

Notes:

- (1) The calculation of market capitalization is based on 150,000,000 Shares expected to be issued under the Global Offering, and assuming that 600,000,000 Shares are issued and outstanding following the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 600,000,000 Shares are in issue following the Global Offering.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2013 or any future date. They are prepared based on our consolidated net assets as of December 31, 2013 as set out in the Accountants’ Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets do not form part of the Accountants’ Report in Appendix I to this prospectus.

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	Consolidated net tangible assets attributable to owners of our Company as of December 31, 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>(HK\$ equivalent)</i>
Based on the Offer Price of HK\$3.61 per Share	1,026,865	374,328	1,401,193	2.34	2.92

USE OF PROCEEDS

The net proceeds of the Global Offering are expected to be approximately HK\$466.3 million (based on the Offer Price of HK\$3.61 per Share) after deducting the underwriting fees and commissions (including the discretionary incentive fee) and the estimated expenses payable by us in relation to the Global Offering. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 85% of the net proceeds to us (approximately HK\$396.4 million based on the Offer Price of HK\$3.61 per Share) will be used for expanding our outlet network organically and, if suitable opportunities arise, through selective acquisitions. For the proceeds used for our organic growth, we expect to use 30% for the acquisition of land use rights, 55% for the construction and decoration of our outlets, 10% for equipment and furniture and 5% for the procurement of test drive automobiles;
- approximately 5% of the net proceeds to us (approximately HK\$23.3 million based on the Offer Price of HK\$3.61 per Share) will be used for upgrading, maintenance and refurbishment of our existing outlets; and
- approximately 10% of the net proceeds to us (approximately HK\$46.6 million based on the Offer Price of HK\$3.61 per Share) will be used for working capital and other general corporate purposes.

For more details, please see “Future Plans and Use of Proceeds” beginning on page 232 of the prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering. For further details regarding the risks we are facing, please see “Risk Factors” beginning on page 28 of the prospectus.

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LEGAL AND COMPLIANCE

Our Directors have confirmed that, during the Track Record Period, there were no litigation or arbitration proceedings, and, to their best knowledge, they are not aware of any pending or threatened litigation or arbitration proceedings against us or any of our Directors which had or could have a material and adverse effect on our financial condition or results of operations.

For the details of our historical non-compliance incidents, please refer to “Our Business — Legal and Compliance” beginning on page 163 of this prospectus.

OUR PROPERTIES

We have constructed a large portion of our outlets on premises to which we own the land use rights which, in the view of our Directors, places us in a stronger position to apply for new dealership authorization from automobile suppliers compared with competitors with outlets on leased premises. As of the Latest Practicable Date, we owned 19 properties and leased 18 properties in the PRC and owned one property in Hong Kong.

Among these owned and leased properties, 26 of them are considered important to us as we operate outlets and spare parts distribution center thereon, which in aggregate contributed substantially all of our revenue during the Track Record Period. For details of such properties, please see the section headed “Statutory and General Information — Further Information about Our Business — Material Properties” in Appendix V to this prospectus.

As of the Latest Practicable Date, two of the properties we owned have titles defects, and eight of the properties we leased have title defects because the lessors either have not obtained the required title certificates or required approvals from competent authorities before leasing the relevant sites to us, which are either State-owned land or collectively-owned lands. We have taken various remedial actions including, among others, making applications for the title certificates, obtaining indemnity from the lessors for losses that we may incur due to the title defects, requesting the lessors to obtain the required title certificates, approvals and/or obtaining confirmation from competent authorities for these title defects.

For further details of our owned and leased properties, the title defects, remedial actions taken and the potential penalties in respect of such defects, please refer to “Our Business — Our Properties” beginning on page 157 of this prospectus.

DEFINITIONS

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

“%”	per cent
“4S dealership store”	a dealership authorized to provide four integrated standard automobile-related business, including sales, spare parts, service and survey
“ACMR”	All China Marketing Research Co., Ltd., an independent specialist Chinese market research company
“Application Form(s)”	White application form(s), Yellow application form(s) and Green application form(s) or where the context so requires, any of them
“Articles of Association”	the articles of association of our Company conditionally adopted on January 18, 2014 and which will become effective upon the Listing and as amended from time to time, a summary of which is set out in “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“automobile supplier”	an automobile manufacturer or any of its affiliates and agents
“Beijing Sunfonda Automobile”	Beijing Sunfonda Boao Automobile Sales Services Co., Ltd. (北京新豐泰博奧汽車銷售服務有限公司), previously known as Beijing Sunfonda Boao Consulting Co., Ltd. (北京新豐泰博奧諮詢有限公司), a limited liability company incorporated in the PRC on January 6, 2014 and wholly owned by Shaanxi Sunfonda Technology
“Beijing Sunfonda Boao”	Beijing Sunfonda Boao Commercial Trading Co., Ltd. (北京新豐泰博奧商貿有限責任公司), a limited liability company incorporated in the PRC on July 9, 2010 and wholly owned by Sunfonda HK
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day”	a day that is not Saturday, Sunday or public holiday in Hong Kong on which banks in Hong Kong are generally open for business and on which the Hong Kong Stock Exchange is open for business in the dealing in securities
“BVI”	the British Virgin Islands
“CADA”	China Automobile Dealers’ Association

DEFINITIONS

“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context otherwise requires, do not include Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
“Company” or “our Company”	Sunfonda Group Holdings Limited (新豐泰集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands on January 13, 2011 with limited liability, which is owned as to 78% by Top Wheel, 20% by Standard Chartered Private Equity and 2% by Westernrobust immediately prior to the Global Offering
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, means Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed, Win Force and Top Wheel and any one of them, the “Controlling Shareholder”

DEFINITIONS

“Cornerstone Investors”	has the meaning ascribed to it under the section headed “Cornerstone Investors” in this prospectus
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	a deed of indemnity entered into by each of our Controlling Shareholders in favor of our Group dated February 24, 2014 containing indemnities in respect of, amongst others, non-compliance incidents, estate duty, taxation and other liabilities
“Deed of Non-competition”	a deed of non-competition entered into by each of our Controlling Shareholders and our Company dated February 24, 2014
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law
“ERP system”	Enterprise resources planning system
“Founders”	Mr. Wu and Ms. Chiu
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Speed”	Golden Speed Enterprises Limited, an investment holding company incorporated under the laws of the BVI on January 11, 2011, which is wholly owned by Mr. Wu and is a Controlling Shareholder
“Grand Forever”	Grand Forever Enterprises Limited, a limited liability company incorporated under the laws of the BVI on January 26, 2011, and our direct wholly owned subsidiary
“Green Application Form(s)”	the application form(s) to be completed by White Form eIPO service provider, Computershare Hong Kong Investor Services Limited
“Group”, “our”, “we” or “us”	our Company and the subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of the present subsidiaries, the present subsidiaries of our Company
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards promulgated by HKICPA

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 15,000,000 New Shares (subject to adjustment) initially being offered by the Company for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange”, “HKEx” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offering entered into among others, the Company, the Hong Kong Underwriters and the Joint Global Coordinators on or around April 29, 2014
“Independent Third Parties”	third parties who are not considered connected persons of our Company under the Listing Rules
“Inner Mongolia”	Inner Mongolia Autonomous Region (內蒙古自治區) of the PRC
“International Offer Shares”	the 135,000,000 New Shares (subject to the Over-allotment Option and adjustment) initially being offered by the Company pursuant to the International Offering
“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the international underwriters named in the International Underwriting Agreement
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into among others, the Company, the International Underwriters and the Joint Global Coordinators on or around May 7, 2014

DEFINITIONS

“Joint Bookrunners” and “Joint Lead Managers”	J.P. Morgan Securities (Asia Pacific) Limited (in respect of the Hong Kong Public Offering), J.P. Morgan Securities plc (in respect of the International Offering) and Guotai Junan Securities (Hong Kong) Limited
“Joint Global Coordinators”	J.P. Morgan Securities (Asia Pacific) Limited and Guotai Junan Securities (Hong Kong) Limited
“Lanzhou Sunfonda”	Lanzhou Sunfonda Automobile Sales Co., Ltd. (蘭州新豐泰汽車銷售有限責任公司), a limited liability company incorporated in the PRC on June 20, 2011 and wholly owned by Shaanxi Sunfonda Technology
“Latest Practicable Date”	April 21, 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on May 15, 2014, on which dealings in the Shares first commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“M&A Rules”	Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) promulgated by (among other PRC regulatory authorities) MOFCOM and CSRC, on August 8, 2006, which became effective on September 8, 2006 and was revised by MOFCOM on June 23, 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Management Trust”	a revocable discretionary trust with Cantrust (Far East) Limited as the trustee and Top Wheel as the settler for the purposes of recognizing and rewarding the contribution and performance of certain Directors and senior management of our Group. See “Our History and Reorganization”

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on January 18, 2014 and which will become effective upon the Listing, and as amended from time to time
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Wu”	Mr. Wu Tak Lam (胡德林), one of the Founders and Ms Chiu’s husband
“Mr. Zhao”	Mr. Zhao Yijian (趙義健), Ms. Chiu’s brother and Mr. Wu’s brother-in-law
“Ms. Chiu”	Ms. Chiu Man (趙敏), one of the Founders and Mr. Wu’s wife
“Ms. Teng”	Ms. Teng Qiuling (滕秋玲), Mr. Zhao’s wife and Mr. Wu’s sister-in-law
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Shares”	the 150,000,000 Shares being offered by the Company for subscription at the Offer Price under the Global Offering
“Ningxia Sunfonda Junmei”	Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd. (寧夏新豐泰駿美汽車銷售服務有限公司) a limited liability company incorporated in the PRC on August 12, 2013 and wholly owned by Shaanxi Sunfonda Technology
“Ningxia Sunfonda Xinjie”	Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd. (寧夏新豐泰信捷汽車銷售服務有限公司) a limited liability company incorporated in the PRC on June 18, 2013 and wholly owned by Sunfonda HK
“Northwestern China”	for purpose of this prospectus, according to the Ministry of Civil Affairs of the PRC, includes Shaanxi Province, Gansu Province, Xinjiang, Ningxia and Qinghai Province
“Offer Price”	HK\$3.61 per Offer Share (exclusive of brokerage fee of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%)
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares being sold pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Ordos Sunfonda Kaisheng”	Ordos Sunfonda Kaisheng Automobile Co., Ltd. (鄂爾多斯新豐泰凱盛汽車有限責任公司), a limited liability company incorporated in the PRC on December 10, 2010 and wholly owned by Shaanxi Sunfonda Technology
“Ordos Sunfonda Xinjie”	Ordos Sunfonda Xinjie Automobile Co., Ltd. (鄂爾多斯新豐泰信捷汽車有限責任公司), a limited liability company incorporated in the PRC on May 6, 2010 and wholly owned by Shaanxi Sunfonda Technology
“outlet”	including 4S dealership store, showroom and service center
“Over-allotment Option”	the option expected to be granted by the Company to the International Underwriters and exercisable by the Joint Global Coordinators on behalf of the International Underwriters under the International Underwriting Agreement on or before June 6, 2014, being the 30th day from the last date for the lodging of applications under the Hong Kong Public Offering, pursuant to which the Company may be required by the Joint Global Coordinators to issue up to an aggregate of 22,500,000 Shares, representing in the aggregate approximately 15% of the initial number of Offer Shares to, among other things, cover over-allocations in the International Offering (if any)
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Pre-IPO Investment”	the investment made by Standard Chartered Private Equity as described under the section headed “Our History and Reorganization – Pre-IPO Investment” of this prospectus
“Pre-IPO Share Award Scheme”	the share award scheme adopted by us on January 8, 2014 for the benefit of our employees, a summary of the principal terms of which is set forth in the section headed “Statutory and General Information — Pre-IPO Share Award Scheme” in Appendix V to this prospectus
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Qualified Institutional Buyers” or “QIBs”	qualified institutional buyers within the meaning of Rule 144A

DEFINITIONS

“Regulation S”	Regulation S under the US Securities Act
“Reorganization”	the reorganization of our Group in preparation for the Global Offering, as described in the section headed “Our History and Reorganization — Corporate Reorganization” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SARS”	severe acute respiratory syndrome
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shaanxi Kaisheng”	Shaanxi Kaisheng Automobile Sales Services Co., Ltd. (陝西凱盛汽車銷售服務有限公司), a limited liability company incorporated in the PRC on February 17, 2006 and wholly owned by Shaanxi Sunfonda Technology
“Shaanxi Sunfonda”	Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司), a limited liability company incorporated in the PRC on November 23, 2000 and wholly owned by Shaanxi Sunfonda Technology
“Shaanxi Sunfonda Bentley”	Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd. (陝西新豐泰迎賓汽車銷售服務有限公司), previously known as Shaanxi Sunfonda Bentley Automobile Sales Services Co., Ltd. (陝西新豐泰賓利汽車銷售服務有限公司), a limited liability company incorporated in the PRC on August 30, 2011 and wholly owned by Shaanxi Sunfonda Technology

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“Shaanxi Sunfonda Boao”	Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司), previously known as Shaanxi Sunfonda Boao Commercial Trading Co., Ltd. (陝西新豐泰博奧商貿有限公司), a limited liability company incorporated in the PRC on September 13, 2010 and wholly owned by Shaanxi Sunfonda Technology
“Shaanxi Sunfonda Junmei”	Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd. (陝西新豐泰駿美汽車銷售服務有限公司), a limited liability company incorporated in the PRC on June 12, 2012 and owned as to 60% by Shaanxi Sunfonda and 40% by Shaanxi Sunfonda Technology
“Shaanxi Sunfonda Technology”	Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司), a limited liability company incorporated in the PRC on July 20, 2001 and wholly owned by Sunfonda HK
“Shaanxi Xinjie”	Shaanxi Xinjie Automobile Co., Ltd. (陝西信捷汽車有限責任公司), a limited liability company incorporated in the PRC on June 12, 2006 and wholly owned by Shaanxi Sunfonda Technology
“Shaanxi Zhongsheng”	Shaanxi Zhongsheng Economics Trading and Development Co., Ltd. (陝西中升經貿發展有限公司), a limited liability company incorporated in the PRC and an Independent Third Party
“Shanxi Sunfonda”	Shanxi Sunfonda Automobile Sales Services Co., Ltd. (山西新豐泰汽車銷售服務有限公司), a limited liability company incorporated in the PRC on September 13, 2012 and owned as to 60% by Shanxi Yingjie and 40% by Shaanxi Sunfonda Technology
“Shanxi Sunfonda Junmei”	Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd. (山西新豐泰駿美汽車銷售服務有限公司), a limited liability company incorporated in the PRC on December 21, 2012 and owned as to 60% by Shaanxi Sunfonda and 40% by Shaanxi Sunfonda Technology
“Shanxi Yingjie”	Shanxi Yingjie Automobile Sales Services Co., Ltd. (山西盈捷汽車銷售服務有限公司), a limited liability company incorporated in the PRC on March 5, 2009 and wholly owned by Shaanxi Sunfonda Technology
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)

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“Share Option Scheme”	our share option scheme, conditionally adopted pursuant to a resolution of our shareholders, dated January 18, 2014, the principal terms of which are summarized in the section headed “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus
“showroom”	a dealership authorized to provide sales of automobiles without after-sales services
“Sole Sponsor”	J.P. Morgan Securities (Far East) Limited
“Stabilizing Manager”	Guotai Junan Securities (Hong Kong) Limited
“Standard Chartered Private Equity”	Standard Chartered Private Equity (Mauritius) III Limited, an investment holding company, incorporated under the laws of Mauritius and a subsidiary of Standard Chartered PLC and a substantial Shareholder
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about May 7, 2014, between the Stabilizing Manager and Top Wheel
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sunfonda HK”	Sunfonda (Hong Kong) Limited (新豐泰（香港）有限公司), a limited liability company incorporated in Hong Kong on March 12, 1997 and wholly owned by Grand Forever
“Suzhou Sunfonda”	Suzhou Sunfonda Automobile Sales Services Co., Ltd. (蘇州新豐泰汽車銷售服務有限公司), a limited liability company incorporated in the PRC on July 1, 2011 and wholly owned by Sunfonda HK
“Suzhou Sunfonda Dehui”	Suzhou Sunfonda Dehui Automobile Sales Services Co., Ltd. (蘇州新豐泰德輝汽車銷售服務有限公司), a limited liability company incorporated in the PRC on December 24, 2013 and wholly owned by Shaanxi Sunfonda Technology
“Suzhou Sunfonda Meidong”	Suzhou Sunfonda Meidong Automobile Sales Services Co., Ltd. (蘇州新豐泰美東汽車銷售服務有限公司), a limited liability company incorporated in the PRC on September 18, 2012 and owned as to 60% by Shaanxi Sunfonda and 40% by Shaanxi Sunfonda Technology
“Takeovers Code”	the code on Takeovers and Mergers and Share Repurchases in Hong Kong

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“throughput volume”	it refers to the units of automobiles that have received maintenance and repair services provided by us during a specific time period
“Title Certificates”	long-term land use rights certificates and/or building ownership certificates or real estate certificates
“Top Wheel”	Top Wheel Limited, a limited liability company incorporated under the laws of the BVI on February 1, 2011, and a Controlling Shareholder
“Track Record Period”	the years ended December 31, 2011, 2012 and 2013
“Twelfth Five-year Plan”	The Twelfth Five-year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》)
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollars” or “USD”	The lawful currency of the United States
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the regulations and rules promulgated thereunder
“US Securities Act”	the United States Securities Act of 1933, as amended, and the regulations and rules promulgated thereunder
“VAT”	value-added tax pursuant to Provisional Rules Governing Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例)
“Volkswagen Group”	a German multinational automobile manufacturing group headquartered in Wolfsburg
“Weinan Sunfonda Boao”	Weinan Sunfonda Boao Automobile Sales Services Co., Ltd. (渭南新豐泰博奧汽車銷售服務有限公司), a limited liability company incorporated in the PRC on January 8, 2014 and owned by Shaanxi Sunfonda Technology and Shaanxi Zhongsheng, an Independent Third Party, as to 80% and 20%, respectively

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“Westernrobust”	Westernrobust Company Limited, incorporated under the laws of the BVI on December 30, 2013, and is owned by Cantrust (Far East) Limited as a trustee pursuant to the Management Trust
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Win Force”	Win Force Enterprises Limited, an investment holding company, incorporated under the laws of the BVI on January 11, 2011, and a Controlling Shareholder
“Wuxi Sunfonda”	Wuxi Sunfonda Automobile Co., Ltd. (無錫新豐泰汽車有限公司), a limited liability company incorporated in the PRC on January 5, 2013 and owned as to 60% by Shaanxi Sunfonda and 40% by Shaanxi Sunfonda Technology
“Wuxi Sunfonda Dehui”	Wuxi Sunfonda Dehui Automobile Sales Services Co., Ltd. (無錫新豐泰德輝汽車銷售服務有限公司), a limited liability company incorporated in the PRC on August 30, 2013 and wholly owned by Shaanxi Sunfonda Technology
“Xi’an Hongqi”	Xi’an Sunfonda Hongqi Automobile Sales Services Co., Ltd. (西安新豐泰紅旗汽車銷售服務有限公司), a limited liability company incorporated in the PRC on May 10, 2013 and wholly owned by Shaanxi Sunfonda Technology
“Xi’an Junsheng”	Xi’an Junsheng Lexus Automobile Sales Services Co., Ltd. (西安鈞盛雷克薩斯汽車銷售服務有限公司), previously known as Xi’an Junsheng Automobile Maintenance Services Co., Ltd. (西安鈞盛汽車維修服務有限公司), a limited liability company incorporated in the PRC on December 19, 2006 and wholly owned by Shaanxi Sunfonda Technology
“Xi’an Sunfonda Star”	Xi’an Sunfonda Zhixing Automobile Sales Services Co., Ltd. (西安新豐泰之星汽車銷售服務有限公司), previously known as Xi’an Haibao Automobile Sales Services Co., Ltd. (西安海寶汽車銷售服務有限公司), a limited liability company incorporated in the PRC on December 28, 2009, which is owned as to 80% by Shaanxi Sunfonda and 20% by Sunfonda HK

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“Xi’an Xinmingyang”	Xi’an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司), previously known as Xi’an Sunfonda Toyota Automobile Sales Services Co., Ltd. (西安新豐泰豐田汽車銷售服務有限公司), a limited liability company incorporated in the PRC on September 29, 2003 and wholly owned by Shaanxi Sunfonda Technology
“Yan’an Sunfonda Boao”	Yan’an Sunfonda Boao Automobile Co., Ltd. (延安新豐泰博奧汽車有限責任公司), a limited liability company incorporated in the PRC on July 27, 2011 and wholly owned by Shaanxi Sunfonda Technology
“Yangzhou Boao”	Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd. (揚州新豐泰博奧汽車銷售服務有限公司), a limited liability company incorporated in the PRC on February 1, 2013 and owned by Shaanxi Sunfonda, Shaanxi Sunfonda Technology and Yangzhou Sunfonda as to 60%, 30% and 10%, respectively
“Yangzhou Sunfonda”	Yangzhou Sunfonda Automobile Co., Ltd. (揚州新豐泰汽車有限責任公司), a limited liability company incorporated in the PRC on June 22, 2011 and wholly owned by Mr. Zhao
“Yulin Sunfonda”	Yulin Sunfonda Automobile Sales Services Co., Ltd. (榆林市新豐泰汽車銷售服務有限公司) a limited liability company incorporated in the PRC on March 25, 2013 and owned as to 60% by Shaanxi Sunfonda and 40% by Shaanxi Sunfonda Technology
“Yulin Sunfonda Kaisheng”	Yulin Sunfonda Kaisheng Automobile Sales Services Co., Ltd. (榆林市新豐泰凱盛汽車銷售服務有限公司), a limited liability company incorporated in the PRC on December 19, 2011 and wholly owned by Shaanxi Sunfonda Technology
“Yulin Sunfonda Meidong”	Yulin Sunfonda Meidong Automobile Sales Services Co., Ltd. (榆林市新豐泰美東汽車銷售服務有限公司), previously known as Yulin Sunfonda Jeep Automobile Sales Services Co., Ltd. (榆林市新豐泰吉普汽車銷售服務有限公司), a limited liability company incorporated in the PRC on December 19, 2011 and wholly owned by Shaanxi Sunfonda Technology

In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires. The English translation of the Chinese names, including PRC nationals, entities, departments, facilities, certificates and titles, are for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

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

- our business prospects and the performance of our new and planned outlets;
- future developments, trends and conditions in the automobile industry and markets in which we operate;
- our business goals and our strategies to achieve these goals, including but not limited to our ability to establish, acquire or secure additional outlets;
- the actions and developments of our automobile suppliers and our competitors;
- general economic, political and business conditions in China and in the areas where our stores are located;
- changes to the regulatory environment and general outlook in the automobile industry;
- the effects of the global financial markets and any economic crises;
- our ability to reduce costs;
- our dividend policy;
- the scale and nature of, and the potential for, the future growth of our network and our expansion into other geographical markets and other product or service lines;
- capital market developments and the availability to us of credit or other forms of financing; and
- changes or volatility in interest rates, sales volumes, margins, the inflation rate in the PRC and overall market trends.

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

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

If one or more of our dealership authorization agreements is terminated or not renewed, or if our business dealings with any automobile supplier are otherwise reduced, our business, results of operations and prospects could be materially and adversely affected.

Our right to operate outlets, our supply of automobiles and spare parts and other important aspects of our business and operations are governed by our dealership authorization agreements with automobile suppliers. Our dealership authorization agreements are non-exclusive, and generally have a term of one to three years with the option of renewal. The automobile suppliers can terminate the agreements with us through written notice for various reasons, including our failure to comply with the agreements, unapproved business relationships with other automobile suppliers and unapproved changes to our ownership or management structure that would affect our ability to meet our contractual obligations. They can also terminate the agreements without cause by giving notice in writing. The notice period ranges from three months to 12 months for termination by the automobile suppliers without cause.

There can be no assurance that our dealership authorization agreements will be renewed on a timely basis, on commercially acceptable terms, or at all. Moreover, an automobile supplier may decide to restrict, limit or reduce the number of new outlets in cooperation with us in the future for reasons unrelated to us, such as a change in their business strategies, or otherwise. If any of the foregoing events occur, our business, results of operations and growth prospects may be materially and adversely affected.

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

- selling only the brands of automobiles and other products of certain automobile suppliers at a particular store;
- carrying out operations only in designated regions;
- subject to certain automobile financing arrangements, making full payment for our automobile inventory prior to shipment and taking ownership of and assuming risk for the automobiles either upon shipment or upon delivery;
- providing designated services such as automobile maintenance and repair as well as spare parts;

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- carrying out marketing and advertising activities for the automobile supplier's products;
- adhering to the automobile suppliers' layout and design guidelines for the operation of the outlet; and
- observing the automobile suppliers' sales and other policies.

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

We may not be able to sustain growth rates similar to those we experienced during the Track Record Period, or maintain our financial performance in the future.

We experienced significant growth over the Track Record Period. Our revenue increased from RMB5,348.4 million for 2011 to RMB7,205.2 million for 2012 and further to RMB7,432.7 million for 2013, representing a CAGR of 17.9%. As of the Latest Practicable Date, eight out of our 26 outlets had been operating for less than 12 months. Newly established outlets require time to ramp up their operations and there is no assurance that our newer outlets will achieve their expected business and financial performance levels within an acceptable time frame or at all. We may experience delays in commencing all or part of the operations of a new store due to construction delays, delays in obtaining the requisite governmental approvals or other reasons. Our future success and growth, and the performance of our new and future outlets, depend on many factors beyond our control, including the macroeconomic conditions in the PRC, consumer demand for the automobiles we distribute, the willingness of automobile suppliers to grant us additional dealership authorizations, the terms of our dealership authorization arrangements, the availability and costs of land and labor in markets in which we seek to expand and the availability of financing. For example, due to the territorial dispute over the Diaoyu Islands in the East China Sea between China and Japan, violent protests and boycotts of Japanese products broke out across China in the second half of 2012. This partially contributed to the decrease in the sales volumes and revenues of the Lexus and Toyota automobiles we sold in 2012 and 2013.

We cannot assure you that we will achieve growth rates similar to those achieved during the Track Record Period or be able to maintain our current revenue and profit levels in the future. In addition, we cannot assure you that China's automobile industry, particularly the luxury and ultra-luxury automobile sectors, will maintain growth rates at the current levels. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

A substantial majority of our existing outlets are located in Xi'an.

As of the Latest Practicable Date, 15 of the 26 outlets we operated were located in Xi'an in Shaanxi Province. For 2011, 2012 and 2013, 92.0%, 79.1% and 74.8% of our revenue was derived from our stores in Xi'an, respectively. We expect our stores in Xi'an to continue to contribute a significant proportion to our revenue and profits in the foreseeable future. As a result of the geographical concentration of our dealership network in Xi'an, any negative event or development that affects Xi'an or the local automobile market, such as any downturn in the local economy, any adverse change in the local regulations on the automobile consumption or

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distribution market, electricity shortage, natural disaster or outbreak of a contagious disease may materially and adversely affect our results of operation.

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

Our business and financial performance depend on our ability to maintain a reasonable level of inventory for our automobiles, spare parts and automobile accessories in order to timely respond to customer demands and maintain a diverse range of products available at our outlets. For 2011, 2012 and 2013, our average turnover days of inventories were 33.5 days, 40.8 days and 38.6 days, respectively. For the same periods, the average turnover days of our ultra-luxury brand automobiles were 51.0 days, 43.4 days and 43.9 days, respectively, the average turnover days of our luxury brand automobiles were 30.9 days, 41.3 days and 34.4 days, respectively, and the average turnover days of our middle market brand automobiles were 16.2 days, 27.5 days and 54.0 days, respectively. See “Our Business — Inventory Management” and “Financial Information — Inventory”. We aim to manage our inventory efficiently, as slow-moving inventories would result in capital constraint and reduce our liquidity, increase our overall operating costs and reduce our profit margins. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs. If we understock inventory, we may not be able to satisfy the demands of our customers, which may in turn cause us to lose the opportunity to capture more revenue or market share and adversely affect our reputation.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital to purchase the automobiles and spare parts inventories required at our outlets. In addition, we require capital to establish and, to the extent applicable, acquire new outlets, renovate and maintain our outlets, procure land use rights and upgrade our information technology systems. We expect our total indebtedness will continue to increase significantly as a result of increases in advance payments to our automobile suppliers and capital expenditures, which are in turn due to our outlet network expansion and business growth. As of December 31, 2011, 2012 and 2013, we had gearing ratios of 99.9%, 179.9% and 162.6%, respectively. Such high gearing ratios may limit our ability to service our loans and may prevent us from borrowing additional funds in the future, which may materially and adversely affect our business prospect, results of operations and financial condition.

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

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For 2011, 2012 and 2013, our finance costs were RMB41.0 million, RMB116.7 million and RMB124.6 million, respectively, which accounted for 0.8%, 1.6% and 1.7%, respectively, of our revenue during the same periods. If interest rates had been 50 basis points higher or lower with all other variables being held constant, our finance costs for 2011, 2012 and 2013 would change by RMB2.4 million, RMB8.0 million and RMB8.2 million, respectively.

In addition, our future bank borrowings may contain certain restrictive covenants which may restrict our operations. Failure by us to meet payment obligations or to comply with any affirmative covenants, or violation on our part of any negative covenants, may constitute an event of default under our future borrowings. If any event of default occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

Furthermore, if we require additional funding as a result of our future acquisitions or expansions, market changes or other developments, we may issue additional equity securities or securities convertible into our ordinary shares, issue debt securities or obtain credit facilities to meet our capital requirements. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We depend on the cooperation of automobile suppliers in many different aspects of our operations. If our relationship with any automobile supplier were to deteriorate, our business, results of operations and growth could be materially and adversely affected.

We depend on the cooperation of automobile suppliers in many different aspects of our operations, including but not limited to pricing policies, rebates, the provision of warranties and the implementation of sales and marketing strategies as discussed below. If our relationship with any automobile supplier were to deteriorate, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

Pricing policies. We depend on automobile suppliers to adopt successful pricing policies that allow us to compete effectively while maintaining profitability. If automobile suppliers raise the guidance prices for their products, customer demand for their automobiles, and in turn our sales, could be adversely affected. In addition, if automobile suppliers reduce their guidance prices, our gross profit margin might be reduced accordingly. Failure to comply with a manufacturer's recommended retail pricing guidelines may constitute a breach of the relevant dealership authorization agreement, which would entitle such manufacturer to terminate the agreement or to seek damages or other remedies against us.

Rebates. Our profits from sales of automobiles and spare parts depends on rebates, which are decided by the automobile suppliers in principle with reference to the number of new automobiles we purchase or sell, and is adjusted based on our completion of certain targets set by the relevant automobile suppliers, including customer satisfaction indexes and dealership retail standards. For 2011, 2012 and 2013, we recorded rebates of RMB71.1 million, RMB175.2 million and RMB226.8 million, respectively, which accounted for 13.8%, 31.1% and 36.4% of our gross profits during the same periods, respectively. There can be no assurance that the automobile suppliers will continue to grant us the same level or amount of rebates, or that they will pay us any rebate under existing purchase arrangements. Should some or all of the automobile suppliers cease to offer such rebates or alter the conditions by which such rebates

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are granted, our financial condition and results of operations may be materially and adversely affected.

Provision of warranties. Repair services under our automobile suppliers' warranties are charged to the automobile suppliers instead of the customers. 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, which may in turn cause a decrease in our revenue from after-sales services.

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

We depend on automobile suppliers for our new automobiles and spare parts.

We rely on automobile suppliers for the supply of automobiles, spare parts and accessories that we sell. Any event or development that adversely affects their ability to manufacture and deliver their products to us, such as component shortages, labor unrest or natural disasters, may also have a material and adverse effect on us. We also depend on our automobile suppliers' abilities to anticipate changes in consumer tastes, preferences and requirements, and to manufacture and deliver to us a desirable, high-quality and price-competitive mix of new automobiles in sufficient quantities and on a timely basis. If any automobile model launched by any of our automobile suppliers is not well received by the market, or if the popularity of any of their existing automobile models declines, our sales volumes, revenue and profitability could decrease.

Automobile suppliers generally allocate their automobiles among the outlets by reference to various factors, including the historical sales performance and market share of the outlets. If our outlets experienced prolonged sales slumps relative to our competitors, these automobile suppliers may cut back their allotment of popular automobiles to our outlets, and as a result, our new automobile sales and profits may decline. Delay in delivery by our automobile suppliers could also materially and adversely affect our sales.

In addition, automobile suppliers may change the mix of automobile models within different price ranges to cater to changes in customers' consumption patterns, market competitive dynamics and general economic conditions, which may in turn affect our results of operations and financial condition. For example, in 2012 and 2013, the mix of automobile models offered by us shifted to lower configuration models, partially as our automobile suppliers have promoted sales of lower configuration models in order to cater to the change in customers' consumption patterns given the change in market sentiment, which in turn caused general decreases in the average selling prices of luxury and ultra-luxury brand automobiles sold by us.

For the years of 2011, 2012 and 2013, purchases from our five largest automobile suppliers accounted for 89.9%, 92.7% and 90.9% of our total purchases, respectively, and purchases from our largest supplier during the same periods accounted for 29.5%, 36.9% and 37.8%,

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respectively, of our total purchases. If any of our five largest suppliers decides to terminate, not to renew, or to limit or reduce its dealership arrangements with us, or to add or amend any terms or conditions in a way that would be adverse to us, our results of operations, financial condition and growth prospects may be materially and adversely affected. In addition, if any of our five largest suppliers becomes unable to supply new automobiles or spare parts due to any reason beyond their control, such as natural disasters, our results of operations, financial condition and growth prospects may also be materially and adversely affected.

Sales of new automobiles manufactured by the Volkswagen Group and its portfolio brand companies generate a significant portion of our revenue.

We operated seven, 11, 15 and 15 outlets as of December 31, 2011, 2012, 2013 and the Latest Practicable Date, respectively, for automobile brands under the Volkswagen Group and its portfolio brand companies, including Bentley, Porsche, Audi and Volkswagen Imported. In addition, as of the Latest Practicable Date, we had signed non-binding letters of intent for eight additional outlets in total for Audi, Volkswagen Imported and Shanghai Volkswagen. For 2011, 2012 and 2013, revenue generated from sales of new automobiles of Bentley, Porsche, Audi and Volkswagen Imported accounted for 68.0%, 80.7% and 83.1%, respectively, of our revenue from automobile sales. We expect our outlets of these brands to continue to account for a significant portion of our revenue in the near future. Our ability to negotiate with the portfolio brand companies under the Volkswagen Group is limited. If the Volkswagen Group or any of its portfolio brand companies decides to terminate, to deny renewal, or to limit or reduce its dealership arrangements with us, or to add or amend any terms or conditions in a way that would be adverse to us, or if market demand for automobiles of the Volkswagen Group and its portfolio brand companies diminishes, our results of operations, financial condition and growth prospects may be materially and adversely affected.

If we fail to maintain our business relationship with the Volkswagen Group and its portfolio brand companies, we will seek to expand our existing collaboration with, and pursue new dealership authorizations from, other automobile suppliers, including new business partners. We cannot assure you that we will be able to replace the Volkswagen Group and its portfolio brand companies on a timely basis or at all, or that any other automobile suppliers that we collaborate with will generate customer demand and business at the same level as the Volkswagen Group and its portfolio brand companies.

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

We recorded positive operating cash flow of RMB403.2 million for 2013, and negative operating cash flow of RMB12.9 million and RMB294.5 million, respectively, for 2011 and 2012. See “Financial Information — Liquidity and Capital Resources — Cash Flow Generated from/(Used in) Operating Activities”. We may continue to experience negative operating cash flows in the future as a result of our continuing expansion. For details, please see the section headed “Financial Information — Liquidity and Capital Resources — Cash Flow Generated from/(used in) Operating Activities” in this prospectus. If we continue to record negative operating cash flows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

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We had net current liabilities position as of December 31, 2012 and 2013.

As of December 31, 2012 and December 31, 2013, we had net current liabilities of RMB76.4 million and RMB75.4 million, respectively. Please see “Financial Information — Net Current Assets/(Liabilities)” in this prospectus. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

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

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits and make various filings for our operations that are specific to the automobile dealership and automobile maintenance and repair businesses, including but not limited to:

- road transport approvals and licenses;
- automobile insurance agent licenses; and
- brand automobile dealership filings.

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

Historically, certain of our PRC subsidiaries began providing after-sales services without obtaining the Project Initiation Approvals and Road Transport Licenses, and Yangzhou Sunfonda, our former subsidiary, commenced operations without obtaining NDRC approval. For details of our historical non-compliance incidents, please refer to “Our Business — Legal and Compliance”.

As at the Latest Practicable Date, all our PRC operating entities hold valid licenses necessary to conduct their business. However, there can be no assurance that we will continue to maintain or obtain approvals, licenses, or permits in the future. Any loss of or failure to obtain or renew our approvals, licenses, or permits could disrupt our operations, and fines or penalties imposed by the PRC Government could materially and adversely affect our results of operations, financial position and reputation.

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 a housing fund for employees. We provide social insurance and make housing fund contributions for our employees in accordance with local government authorities’ implementation policies. Due to different levels of development with regard to employee benefits in different areas of the PRC, local policies in certain jurisdictions where we operate are less stringent than the requirements under PRC laws and regulations. We have received letters from local government authorities confirming that we have made all requisite contributions to social insurance funds and housing funds. If the PRC Government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations

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more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may materially and adversely affect our results of operations.

In addition, we are dependent on automobile suppliers and other suppliers adhering to all relevant laws and regulations. We are not aware of any incidences of non-compliance with laws, rules or regulations by the automobile suppliers or other suppliers with whom we are currently conducting business. However, we do not exercise any control over the operations of our automobile suppliers and other suppliers, and thus we are not able to provide any assurance that they will comply with all applicable laws, regulations and rules. Any violation of applicable laws, regulations and rules by our automobile suppliers and other suppliers may have material and adverse consequences, including automobile and other product recall activities and negative publicity.

Implementing our expansion plan may expose us to certain risks.

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

- obtain sufficient funding for our expansion;
- obtain authorizations for new outlets or enter into acquisition agreements to acquire other dealerships;
- obtain the necessary licenses, permits and approvals from the relevant PRC Government authorities on a timely basis;
- secure premises for new outlets in desirable locations;
- recruit, train and retain sufficient qualified personnel; and
- commence and ramp up the operations of the new outlets to achieve our targeted profitability within expected time frames.

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

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

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For example, we entered into a letter of intent with the Investment Promotion Bureau of the Chang'an District in Xi'an to develop automobile dealership outlets. However, due to the uncertainties associated with this project, our Directors believe that we will be unable to develop the dealership outlets on time or at all. For more details, please refer to "Our Business — Our Outlets" in this prospectus.

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

Any reduction by automobile suppliers of their advertising, marketing or promotional activities could materially and adversely affect our sales of new automobiles.

Sales of new automobiles at our outlets are influenced by the promotional and marketing efforts of our automobile suppliers which are designed to foster consumer demand. Our advertising and promotion expenses were RMB52.8 million, RMB46.1 million and RMB46.3 million, for 2011, 2012 and 2013, respectively. Apart from jointly organized sales and marketing events with us, our automobile suppliers 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 outlets. Moreover, while our sales and marketing campaigns are typically tailored to target the regions served by our outlets 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 our automobile suppliers. As a result, change in any of these promotional and marketing activities by our automobile suppliers may materially and adversely affect the sales of automobiles at our outlets.

There are defects in our titles of or rights to use certain properties.

As of the Latest Practicable Date, we owned 15 completed properties with an aggregate gross floor area of 104,703 square meters, one property under construction with a site area of 13,348 square meters and three properties for future development with an aggregate site area of 59,983 square meters in the PRC, which were vacant as of the Latest Practicable Date. We also owned one completed property in Hong Kong with a gross floor area of 66 square meters which is used as an office. We leased 16 properties in the PRC with an aggregate gross floor area of 32,548 square meters for use as 4S dealership stores, warehouses and ancillary buildings. We also leased one property in Yulin, Shaanxi Province with a site area of 20,593 square meters and one property in Suzhou, Jiangsu Province with a gross floor area of 350 square meters for future development.

As of the Latest Practicable Date, we did not have valid titles or rights to ten properties we owned or leased. Please refer to "Our Business — Our Properties" for details. No revenue generated from our owned properties with defective titles was recorded for 2011, 2012 and 2013 as these properties have been used for ancillary operations.

Revenue generated from our leased properties with defective titles contributed to 7.8%, 12.2% and 12.9% of our total revenue for 2011, 2012 and 2013, respectively. Please see the section entitled "Our Business — Our Properties" in this prospectus for further details regarding our defective properties, the potential penalties that we may encounter and the remedial actions that we have taken.

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Any dispute or claim in relation to the title to the properties we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, may result in us having to relocate our 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, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements on us to obtain or maintain relevant Title Certificates for the properties that we occupy.

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

Our automobile suppliers have conducted recalls of their automobiles in the past as a result of defects or other problems with their products. We have experienced recalls of certain automobile brands during the Track Record Period. For example, in October 2012, Toyota launched a global recall program of approximately 7.4 million automobiles for defaults in their power window system. In November 2013, Volkswagen launched a recall program of approximately 0.6 million automobiles in China for synthetic oil in the transmission. See “Our Business — After-sales Services — Other value-added services — Automobile recalls”. Under our existing dealership arrangements, we will be compensated by our automobile suppliers for the repair services undertaken by us in connection with any automobile recall. However, automobile recalls may have a material adverse effect on customers’ confidence in the quality and safety of the affected automobile brands and the reputation and image of the relevant automobile suppliers, which could in turn reduce demand for particular automobile brands or models offered by us. Any future automobile recall by our automobile suppliers could have a material and adverse impact on our sales which could materially and adversely affect our results of operations, financial condition and growth prospects.

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

We carry insurance which covers such risks as loss and theft of, and damage to, our properties such as our fixed assets and inventories at our outlets, and losses due to fire, flood and a broad range of other natural disasters which generally excludes earthquakes. We do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business. Nor do we maintain any insurance coverage for business interruption due to the limited coverage of any business interruption insurance in the PRC. Significant uninsured damage to any of our properties, inventories or other assets, whether as a result of fire or other causes, could have a material and adverse effect on our results of operations and financial condition.

We depend on our information technology systems.

We depend on a reliable information technology system to manage various aspects of our business. We are in the process of upgrading our ERP system. We may experience problems with the implementation of our ERP system that may cause temporary disruptions to our operations. As we implement future upgrades, we may also encounter software and hardware failures that disrupt our operations. Any failure of our information technology system and/or loss of data could have a material and adverse effect on our business and operations.

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

Our success is, to a significant extent, attributable to the leadership of our senior management team, in particular, our Chairman and executive Director Mr. Wu, CEO and executive Director Ms. Chiu and executive Directors Jia Ruobing and You Jia. If for any reason the services of any of these individuals were to become unavailable, and if we were unable to find any suitable replacement on a timely basis, our business, operations and prospects may be adversely affected.

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

Our business is subject to seasonal fluctuation.

All of our turnover is derived from our operations in the PRC, and we may be subject to seasonal fluctuation. We tend to record higher revenue from new automobile sales in the fourth quarter than other quarters in each year. We believe this is primarily due to the increase in year-end consumption by our customers and the consumption patterns in the regions in which we have operations. Our revenue generated by outlets that we had operated for at least one fiscal year in the fourth quarters of 2011, 2012 and 2013 accounted for 29.3%, 31.3% and 26.8%, respectively, of the total revenue of these outlets for 2011, 2012 and 2013. As a result of these fluctuations, comparisons of our sales and results of operations between different periods within a single fiscal year or in different fiscal years are not necessarily meaningful and should not be relied upon as indicators of our performance for any future fiscal period.

Any significant disruption in the production of automobiles could reduce our turnover and harm our profitability.

The production of automobiles may be disrupted for various reasons. For example, any labor dispute affecting automobile suppliers could result in a shortage of new automobile supplies to our outlets. Moreover, significant increases in labor costs as a result of negotiations to resolve labor disputes could also result in downward pressure on our profit margins, as automobile suppliers seek to pass on some of their increased costs to us, which could reduce our turnover and harm our profitability. In addition, any natural disaster could also disrupt the production activities of automobile suppliers.

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RISKS RELATING TO OUR INDUSTRY

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

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

We derive all of our revenue in the PRC. Any slowdown in the PRC economy may adversely affect demand for our automobiles and after-sales services. For example, we experienced a decrease in our gross profit margin primarily due to the fact that we sold a higher proportion of lower configuration models in 2012 as a result of changes in our customers' consumption patterns, market competitive dynamics and the general economic condition of the PRC. Therefore, any slowdown in the PRC economy could result in:

- a significant reduction in customer demand for our automobile and after-sales services, which could reduce our revenue and profit margin;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;
- increased price competition for automobile sales and after-sales services;
- the risk of possessing excess and obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles and after-sales services;
- insolvency or credit difficulties for our customers or their insurance carriers, which could limit their ability to pay for our automobiles and after-sales services; and
- insolvency or credit difficulties for our automobile suppliers, which could disrupt the supply of automobiles or spare parts or increase our inventory costs.

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

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

The PRC automobile dealership industry is competitive. Market practice allows automobile suppliers to grant non-exclusive dealership rights in the same geographical area. As a result, in many of our markets we compete with dealerships that offer competing brands of automobiles as

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well as dealerships that sell the same brands and models as we do. Our business is also affected by competition among automobile suppliers in terms of quality, design and price. We also compete with independent repair shops and auto parts retail centers in after-sales services and spare part sales. We believe that outlets in the PRC compete for customers in terms of customer services, inventory of automobiles, capabilities of sales personnel, management personnel, automotive technicians and on the prices of their automobiles. Increased competition among automobile suppliers and dealerships in the PRC automobile industry could impact our market share and result in a decrease in our revenue and profit and could adversely affect our growth prospects. Any changes in the regulation of the automobile dealership industry could allow new market participants to enter the dealership business, which may intensify competition and could materially and adversely affect our business and results of operations.

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

The PRC Government has increased the capital reserve ratios of PRC banks and raised interest rates multiple times in 2010 and 2011 in an attempt to control credit growth and inflation in the PRC. Demand for our automobiles and after-sales services may decrease if there is any further fiscal or credit tightening by the PRC Government, which could reduce business or consumer spending. Many customers rely on automobile financing to fund their automobile purchases. If the PRC Government implements any credit tightening measures that restrict the availability of automobile financing, our sales may be materially and adversely affected. Furthermore, the availability and cost of funding to entities in the PRC, such as ourselves, are significantly influenced by the fiscal policies of the PRC Government and the availability of credit and liquidity in the PRC banking system. Historically, we have relied in part on bank and other borrowings to fund both our purchases of the automobiles and spare parts sold in our stores and our network expansion. On February 19, 2012, the PBOC announced that the reserve requirement ratio would be reduced by 50 basis points as of February 24, 2012. In addition, the PBOC reduced the benchmark one-year lending rate twice in June and July 2012 to 6.0%. However, there is no assurance that the PRC Government will not implement any further fiscal or credit tightening measures. So doing could reduce or otherwise restrict our access to bank borrowings and other types of financing, which could materially and adversely affect our liquidity and our ability to fund our inventory purchases and our planned network expansion. We may also experience higher borrowing costs and a tightening of credit terms. As a result of any of the foregoing, our results of operations, financial condition and prospects may be materially and adversely affected.

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

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

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

Moreover, the PRC Government adopted an automobile consumption tax on January 1, 1994. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on September 1, 2008 pursuant to the Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) as released by the PRC Ministry of Finance and the State Administration of Taxation (the “SAT”). The new policy lowered the personal automobile consumption tax rate for vehicles with the smallest engine displacement capacity, under 1.0 liter, from 3% to 1%, but increased the tax rate on vehicles with larger engine displacements. In particular, the tax rate on vehicles with engine displacement between 3.0 and 4.0 liters was increased from 15% to 25%, and the tax rate on vehicles with engine displacement above 4.0 liters was increased from 20% to 40%. According to the PRC Vehicle and Vessel Tax Law (中華人民共和國車船稅法) promulgated by the Standing Committee of The National People's Congress and its implementation regulations effective as of January 1, 2012, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400. Certain of the automobiles we sell have larger engine displacement capacity and are subject to the higher automobile consumption taxes, which make those automobiles purchases more expensive for buyers.

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

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

To curb urban traffic congestion, certain Chinese cities have adopted urban regulations and ordinances that limit new automobile registration or restrict automobile use. For example, effective from December 23, 2010, the Beijing municipal government issued measures to curb the traffic congestion in Beijing by limiting the total number of new automobile license plates to be issued every year. As of the Latest Practicable Date, we have received a non-binding letter of intent to establish one 4S dealership store in Beijing. Under the anti-congestion measures in Beijing, it may take our Beijing outlet more time to break even and ramp up its operations than our outlets in other cities which do not have similar anti-congestion measures. This and any future anti-congestion ordinances in the markets where we operate may restrict the ability of potential customers to purchase automobiles and in turn could reduce our automobile sales. Should similar ordinances be adopted in other cities where we operate, or if existing regulations become stricter, our sales in those cities may be materially and adversely affected.

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If the PRC Government raises the import tariff rates on imported automobiles, our results of operations may be materially and adversely impacted.

We offer both domestically manufactured and imported automobiles to our customers. During the Track Record Period, we import all of the ultra-luxury automobile brands, including Porsche and Bentley, and certain models of the luxury brands. The PRC General Administration of Customs announced that, effective January 1, 2006, the import tariff rate on imported automobiles was reduced from 33% to 28%, and, effective July 1, 2006, to 25%. If the PRC Government raises the import tariff rates on imported automobiles in the future, the automobile suppliers in China may have to increase retail prices of their imported automobiles, which may in turn reduce market demand for imported automobiles. As a result, we may not be able to sell imported automobiles to our customers, or meet the sales targets provided by our automobile suppliers, which may materially and adversely impact our business prospects, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

While the PRC economy has experienced significant growth over the past decade, the 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 to benefit the overall economy. Some of these policies may 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 (including, without limitation, any vehicle luxury tax). The PRC Government has also recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth. These measures may decrease economic activities in the PRC, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

In 2013, the PRC government promulgated certain anti-corruption rules, policies and measures to control government spending, including the spending by governmental officials on automobiles. The impact of these rules, policies and measures on the luxury automobile market will be limited given that, according to ACMR, government purchases have accounted for 10% or

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less of the total luxury automobile sales in the PRC in the past few years. Audi, which has the largest exposure to government procurement, sold around 40,000 units to the PRC government in 2012, representing 10% of its total sales volume in China, while BMW sold only about 2,000 units to the PRC government in 2012, representing 0.66% of its total sales volume in China. We expect that this may cause a decrease in governmental demand for luxury automobiles in the future, which may have an adverse impact on our business prospects, results of operations and financial condition.

Any future laws, regulations and rules that impose additional liabilities on automobile dealers could materially and adversely affect our business prospects, financial condition and results of operations.

On December 29, 2012, the General Administration of Quality Supervision, Inspection and Quarantine promulgated the Rules on the Liability for Repair, Replacement and Return of Family Car Products (家用汽車產品修理、更換、退貨責任規定), which became effective on October 1, 2013. The automobiles sold through our outlets falls into the scope of products regulated by these rules. These rules impose higher levels of responsibility on automobile sellers (such as ourselves) in terms of providing certain repair, replacement and return services. For more details, please see “Regulatory Overview — Guarantees For Family Car Products”. Any similar or stricter policies or rules promulgated by the PRC government in the future may result in our new outlets taking longer to break even and ramp up their operations. As a result, our business prospects, financial condition and results of operations may be materially and adversely affected.

The potential implementation of a vehicle luxury tax in the PRC could adversely affect our business and results of operations.

It was recently reported by certain media sources that a 20% luxury tax might be levied by the relevant PRC government authorities on the purchase of a passenger vehicle with a retail price over RMB1.7 million. During the Track Record Period, sales of automobiles under the brands of Bentley and Ferrari/Maserati had average selling price of over RMB1.7 million, which accounted for 0.3%, 2.3% and 4.3% of our total revenue for 2011, 2012 and 2013. Such purchase tax, if effectuated, may adversely affect sales of our ultra-luxury branded automobiles, as well as our 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 conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC Government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, regulations and rules 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, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

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

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

Under the EIT Law and its implementing regulations, the profits of a foreign invested enterprise generated from January 1, 2008 and onwards, which are distributed to its immediate holding company outside the PRC, are subject to a withholding tax rate of 10%. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅的安排), such rate will be lowered to 5% if a Hong Kong resident enterprise owns over 25% of the PRC company. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), which became effective on October 1, 2009, the 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties. However, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that the PRC tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our PRC subsidiaries, nor that the PRC tax authorities will not levy a higher withholding tax rate on such dividends in the future.

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

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC tax resident enterprises and will generally be subject to the uniform 25% PRC enterprise income tax rate on their global income. Under the implementation rules to the EIT Law, a de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. In addition, the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (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), or Circular 82, issued by the SAT on April 22, 2009 regarding the standards used to classify certain Chinese-controlled enterprises established outside of China as resident enterprises clarified that dividends and other income paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. Circular 82 also subjects such resident

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enterprises to various reporting requirements with the PRC tax authorities. Circular 82 further details that certain Chinese-controlled enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) major assets, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of the senior management or directors having voting rights.

Although the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign individuals or foreign enterprises like us. Also, currently there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management bodies which are applicable to our Cayman Islands holding company or our overseas subsidiary. Therefore, we do not currently consider our Cayman Islands holding company or our overseas subsidiary to be a PRC 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. First, our Cayman Islands holding company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as tax-exempted income, we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, dividends payable by us to our investors and gain on the sale of our shares may become subject to PRC withholding tax. It is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a withholding tax of 10% for our non-PRC enterprise investors or a potential withholding tax of 20% for non-PRC individual investors is imposed on dividends we pay to them and with respect to gains derived by such investors from transferring our shares. In addition to the uncertainty regarding how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the EIT law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our shares may be materially and adversely affected. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. By comparison, there is no taxation on such income in the Cayman Islands.

The tightened scrutiny by PRC tax authorities over acquisition transactions may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued on April 30, 2009 the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理的若干問題的通知), or Circular 59. On December 10, 2009, the SAT issued the Notice on Strengthening the Management on the

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Enterprise Income Tax for Non-resident Enterprises Equity Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or Circular 698. Both Circular 59 and Circular 698 became effective retrospectively on January 1, 2008. By promulgating and implementing these circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-PRC resident enterprise. For example, Circular 698 specifies that the relevant PRC tax authority is entitled to redefine the nature of an equity transfer where offshore vehicles are interposed by abusing corporate structures for tax avoidance purposes and without reasonable commercial purposes. We may conduct acquisitions involving corporate structures. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us, or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on transfers of our shares or any adjustment of such gains would cause us to incur additional costs.

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

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

We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain the required government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds from this offering and to fund our operations in the PRC would be negatively affected, which would adversely and materially affect our liquidity and our ability to expand our business.

In addition, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or Circular 142, on August 29, 2008. Under Circular 142, the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used within the business scope approved by the applicable governmental authority, and may not be used for equity investments in the PRC. In addition, foreign-invested companies may not change how they use such capital without the SAFE's approval, and may not, in any case, use such capital to repay Renminbi loans if proceeds of such loans have not been utilized. Violations of Circular 142 may result in fines or other penalties. Please also refer to the section entitled "Regulatory Overview — Foreign Exchange Control". As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from our initial public offering and subsequent offerings or financings to our PRC subsidiaries.

Furthermore, the SAFE promulgated Circular 59 on November 9, 2010, which requires the PRC Government to closely examine the authenticity of the settlement of net proceeds from offshore offerings and to verify that the net proceeds are settled in the manner described in the offering documents. Circular 142 and Circular 59 may significantly limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and our ability to convert the net

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proceeds into Renminbi, which may materially and adversely affect our liquidity and our ability to fund and expand our business in the PRC.

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

We are a holding company incorporated in the Cayman Islands, and our business and operations are conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries for our future cash needs, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial condition, cash requirements and availability, applicable laws, regulations and rules and restrictions on making payments to our Company contained in financing or other agreements. If one or more of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us.

As entities established in the PRC, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit the payment of dividends by PRC subsidiaries only out of their respective accumulated profits as determined in accordance with PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund of 10% of its after-tax profit based on PRC GAAP up to a maximum of 50% of the registered capital of such PRC subsidiary. Our PRC subsidiaries may allocate a portion of after-tax profit to staff welfare, bonuses and development funds, at the discretion of such PRC subsidiaries and pursuant to their articles of association. These reserves or funds are not distributable as dividends. Contributions to such reserves or funds are made from each of our PRC subsidiaries' net profit after taxation. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends.

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

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

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

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issued a series of guidance letters to its local branches with respect to the procedures for SAFE registration under the SAFE Circular. These regulations require PRC residents and PRC corporate entities to register with competent local branches of the SAFE in connection with their direct or indirect offshore investment in offshore special purpose vehicles. These regulations may apply to our Shareholders who are PRC residents or have PRC residents as their beneficial owners and may apply to any offshore acquisitions that we make in the future.

Any failure by any of our Shareholders who is considered to be a PRC resident by the SAFE to make the registrations or amendments with the 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.

Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC citizen participants in such incentive plans or us to fines and other legal or administrative sanctions.

Under the SAFE regulations, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly-listed company are required to register with the SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with the stock options plans or awards. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or any other material changes.

We and our PRC resident employees who participate in the Pre-IPO Share Award Scheme may be subject to these regulations. If we or our PRC resident grantees fail to comply with these regulations, we or the relevant employees may be subject to fines and other legal or administrative sanctions and restrictions may be imposed on the execution of our Pre-IPO Share Award Scheme.

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

All of our revenue is denominated in Renminbi. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, the payment of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions.

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

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

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

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

Almost all of the assets of the Company are located in the PRC. In addition, most of our Directors and senior management reside within the PRC, and the assets of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and senior management, including in relation to matters arising under applicable securities laws. Moreover, the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgments of foreign courts. Therefore PRC courts have discretion regarding whether or not to enforce the judgments of foreign courts. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of courts in some jurisdictions is uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

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

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$3.61 per Share, the Controlling Shareholders will in the aggregate beneficially own approximately 58.5% of our issued Shares. Subject to our Memorandum and Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions,

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including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval, which may not be in the best interests of other Shareholders.

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

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

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

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

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

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

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

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

The Offer Price is HK\$3.61 per Offer Share. However, our Shares will not commence trading on the Hong Kong Stock Exchange until the Listing Date, which is generally a few days after the Offer Price is determined. As a result, investors may not be able to sell or otherwise deal in our Shares during such period and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

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

Prior to the Global Offering, no public market existed for our Shares. The Offer Price for our Shares will be determined by us and the Joint Global Coordinators (on behalf of the Underwriters) and may differ significantly from the market price for our Shares following the completion of the Global Offering. We have applied to list our Shares on the Hong Kong Stock Exchange. However, a listing on the Hong Kong Stock Exchange does not guarantee that an active trading market for our Shares will develop following the completion of the Global Offering or in the future. If an active public market for our Shares does not develop, the Shares could trade at a price lower than the Offer Price and you may not be able to resell your Shares for an extended period of time, if at all.

There are risks associated with forward-looking statements.

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

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

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such

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information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

Our financial results are expected to be affected by the expenses relating to the Global Offering.

Our financial results will be affected by the expenses relating to the Global Offering. The estimated expenses in relation to the Global Offering are approximately RMB60.3 million, of which approximately RMB41.3 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering in the year 2014. The remaining estimated listing expenses of approximately RMB19.0 million, which cannot be so deducted, was or will be charged to profit or loss, of which approximately RMB12.4 million was charged during the Track Record Period, and approximately RMB6.6 million is expected to be incurred before or upon completion of the Global Offering in the year 2014. This calculation is based on the Offer Price of HK\$3.61 per Offer Share and the assumption that 150,000,000 Shares expected to be issued under the Global Offering and 600,000,000 Shares are issued and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, our financial results for the year ended December 31, 2013 and the year ending December 31, 2014 will be affected by the expenses relating to the Global Offering.

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

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The business operations of our Group are located in China. Our executive Directors are based in the PRC, as we believe it is more effective and efficient for our executive Directors to be based in a location where we have significant operations. We, therefore, do not, and in the foreseeable future will not, have a management presence in Hong Kong.

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

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Wu and our Company Secretary, Ms. So Yee Kwan;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice;
- (d) Guotai Junan Capital Limited, our compliance adviser, will act as an additional channel of communication with the Hong Kong Stock Exchange; and
- (e) each Director will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Hong Kong Stock Exchange.

NO DEALING IN SECURITIES BY CONNECTED PERSON FROM FOUR CLEAR BUSINESS DAYS BEFORE HEARING UNTIL LISTING

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until the listing is granted.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Pre-IPO Investment by Standard Chartered Private Equity

In anticipation of and for the purpose of the Listing of our Shares on the Hong Kong Stock Exchange, the Series A Preferred Shares held by Standard Chartered Private Equity will be automatically converted into the ordinary shares of Top Wheel after four clear business days before the expected hearing date while before the listing, and Top Wheel will repurchase all of the shares converted from the Series A Preferred Shares held by Standard Chartered Private Equity, and as consideration for such repurchase, transfer 90,000,000 Shares it holds in our Company to Standard Chartered Private Equity (please refer to the paragraph headed “Pre-Listing Share Swap” in the section “Our History and Reorganization” for more details) immediately after the conversion and before the listing (together the “Pre-Listing Share Swap”). If our Company had to comply with the requirements under Rule 9.09(b) of the Listing Rules and the Pre-Listing Share Swap had to be completed at least four clear business days before the expected hearing date, Standard Chartered Private Equity, as an investor of our Group, would no longer be entitled to its special rights during the period from the completion of the Pre-Listing Share Swap to the completion of the Global Offering. Please see “Our History and Reorganization – Pre-IPO Investment” for further details of the special rights of Standard Chartered Private Equity. As Standard Chartered Private Equity is expected to hold 15% and approximately 14.5% shares in the Company after the completion of the Global Offering, assuming the Over-allotment Option is not exercised and the Over-allotment Option is exercised in full, respectively, and thus it is a connected person of the Company for the purpose of the Listing Rules, the Pre-Listing Share Swap would lead to a technical deviation from Rule 9.09(b) of the Listing Rules.

However, we believe the Pre-Listing Share Swap will not prejudice the interests of the potential investors in the Company for the following reasons:

- (a) the mechanism governing the Pre-Listing Share Swap was provided for in the Pre-IPO Investment Agreements entered into on April 10, 2011, and supplemented in three deeds of amendment entered into among the Company and the parties to the Pre-IPO Investment Agreements dated May 31, 2012, December 12, 2013 and February 24, 2014, respectively;
- (b) the abovementioned three deeds of amendment neither involved further investment by Standard Chartered Private Equity nor entitled Standard Chartered Private Equity to withdraw or revoke any part of the Pre-IPO Investment which had been irrevocably settled in December 2011;
- (c) the Pre-Listing Share Swap, as a procedural step to simplify the offshore structure of our Group, does not require any additional consideration to be paid by any of the parties concerned;
- (d) the identity of the ultimate shareholders and their respective percentage of interests in our Group will not be changed by the Pre-Listing Share Swap, and neither the Founders nor Standard Chartered Private Equity could benefit from the Pre-Listing Share Swap by compromising the interests of potential investors in the Company; and
- (e) material terms of the Pre-IPO Investment Agreements, including the Pre-Listing Share Swap, are disclosed in the section headed “Our History and Reorganization – Pre-IPO Investment” of this prospectus.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has, subject to the following conditions, agreed to grant, a waiver from strict compliance with the requirements under Rule 9.09(b) of the Listing Rules:

- (i) that the mechanism governing the Pre-Listing Share Swap is contained in the Pre-IPO Investment Agreements in 2011 and supplemented in the three deeds of amendment thereafter;
- (ii) these three deeds of amendment neither involved further investment by Standard Chartered Private Equity nor entitled Standard Chartered Private Equity to withdraw or revoke any part of its investment; and
- (iii) the number and percentage of Shares to be transferred under the Pre-Listing Share Swap are disclosed in this prospectus, and the Pre-Listing Share Swap will occur before completion of the Global Offering.

CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue after the Listing, certain continuing connected transactions, which are subject to the reporting and announcement requirements under the Listing Rules upon Listing. We have applied to the Stock Exchange for a waiver from strict compliance with the requirements regarding the announcement in respect of such continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed “Connected Transaction” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving our information to the public. Our Directors, having made all reasonable inquiries to confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Controlling Shareholders, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, or the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other parties involved in the Global Offering.

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

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares, which may be issued pursuant to the exercise of the Over-allotment Option).

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

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

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00000: RMB0.80269

HK\$7.7539: US\$1.00000

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

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

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering shall mean that the Over-allotment Option has not been exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
WU Tak Lam (胡德林)	Room 2-1102 Building No. 6 228 South Second Ring Road Xi'an City Shaanxi Province PRC	Chinese (Hong Kong)
CHIU Man (趙敏)	Room 2-1102 Building No. 6 228 South Second Ring Road Xi'an City Shaanxi Province PRC	Chinese (Hong Kong)
JIA Ruobing (賈若冰)	No. 93 Chaowai Toutiao Chaoyang District Beijing PRC	Chinese
YOU Jia (游嘉)	No. 3, Door 4 Building 157, Yuxin Road Weiyang District Xi'an City Shaanxi Province PRC	Chinese
Non-executive Director		
ZHU Wei (朱偉)	Flat 46E, Block 3 258 Queen's Road East Wan Chai Hong Kong	Chinese (Hong Kong)
Independent Non-executive Directors		
LIU Jie (劉傑)	Room 1803 No. 16 Lane 1888 Kongjiang Road Shanghai PRC	Chinese
YU Yuanbo (于元渤)	No. 701, Door 2 Building 22, Yaziqiao Road Xicheng District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Fu Johnson Chi-King (符致京)	Flat 5B, Unit 8 Building No.1, Shi Mao Bin Jiang Lane 1, Wei Fang West Road Pudong District Shanghai China	Canadian

Further information of the Directors is disclosed in the section headed “Directors and Senior Management”.

PARTIES INVOLVED

Sole Sponsor

J.P. Morgan Securities (Far East) Limited
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

Joint Global Coordinators

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

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

Joint Bookrunners

J.P. Morgan Securities (Asia Pacific) Limited
(in respect of the Hong Kong Public Offering)
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

J.P. Morgan Securities plc
(in respect of the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

J.P. Morgan Securities (Asia Pacific) Limited
(in respect of the Hong Kong Public Offering)
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

J.P. Morgan Securities plc
(in respect of the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Legal Advisors to the Company

as to Hong Kong and United States laws:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law:
King & Wood Mallesons
20th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
PRC

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Underwriters

as to Hong Kong and United States laws:

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Central
Hong Kong

as to PRC law:

Han Kun Law Offices
9th Floor, Office Tower C1
Oriental Plaza
1 East Chang'an Avenue
Dongcheng District
Beijing
PRC

Reporting Accountants

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

Receiving Banks

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

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

CORPORATE INFORMATION

Registered Office	Scotia Centre 4th Floor P.O. Box 2804 George Town Grand Cayman KY1-1112 Cayman Islands
Headquarters	Sunfonda Automobile Center Beichen Avenue Chanba Ecological District Xi'an City Shaanxi Province PRC
Place of Business in Hong Kong	Unit D, 13/F Seabright Plaza 9–23 Shell Street North Point Hong Kong
Website address	www.sunfonda.com.cn (information contained on this website does not form part of this prospectus)
Company Secretary	So Yee Kwan, ACS, ACIS Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Wu Tak Lam Room 2-1102 Building No. 6 228 South Second Ring Road Xi'an City Shaanxi Province PRC So Yee Kwan, ACS, ACIS Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Members of the Audit Committee	Mr. Liu Jie (<i>Chairman</i>) Mr. Yu Yuanbo Mr. Fu Johnson Chi-King
Members of the Nomination Committee	Mr. Wu Tak Lam (<i>Chairman</i>) Mr. Liu Jie Mr. Yu Yuanbo Mr. Fu Johnson Chi-King

CORPORATE INFORMATION

Members of the Remuneration Committee

Mr. Yu Yuanbo (*Chairman*)
Mr. Fu Johnson Chi-King
Mr. Liu Jie

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Bankers

China CITIC Bank Corporation Limited Xi'an Branch
No. 1, Zhuque Avenue
Xi'an City, Shaanxi Province
China

Industrial Bank Co., Ltd. Xi'an Branch
1/F, No. 81
Youyi East Road
Xi'an City, Shaanxi Province
China

REGULATORY OVERVIEW

OVERVIEW

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

REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

The PRC Automobile Industry

On May 12, 2004, NDRC promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (the “Policy”), which became effective on May 21, 2004, and was further amended jointly by the NDRC and Ministry of Industry and Information Technology on August 15, 2009. The Policy contains provisions relating to, amongst other things, the PRC automobile industry’s technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

On December 22, 2011, the Ministry of Commerce (the “MOFCOM”) promulgated the Guidance Opinions on Promoting the Development of Automobile Circulation Industry under Twelfth Five-Year Plan (關於促進汽車流通業「十二五」發展的指導意見) (the “Guidance Opinions”), which set forth the overall objectives and major tasks for the automobile circulation industry. The Guidance Opinions encourage, among other things, the nurturing of large-scale new automobile and used automobile dealers, and foreign investment in the automobile distribution network in middle and western China.

On January 22, 2013, 12 central government agencies, including Ministry of Industry and Information Technology, NDRC, MOFCOM and CSRC, jointly promulgated the Guidance Opinions on Further Promoting the Acquisitions and Restructuring of Enterprises in the Key Industries (關於加快推進重點行業企業兼併重組的指導意見), which sets forth guidelines for nine key industries, including the automobile sector, encouraging domestic and outbound acquisitions and restructuring.

Under the Provisional Measures on the Administration of the Verification of Foreign-Invested Projects (外商投資項目核准暫行管理辦法), promulgated by NDRC on October 9, 2004, which apply to the verification of sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises and domestic enterprises acquired by foreign investors, increases in registered capital of foreign-invested enterprises and other types of foreign-invested projects, projects with total investment below US\$100 million that are within the encouraged or permitted categories of foreign investment and projects with total investment below US\$50 million that are within the restricted category of foreign investment are subject to the verification of local NDRC authorities. Authorities in charge of land, urban planning, quality control, production safety supervision, industrial and commercial administration, customs, taxation and foreign exchange administration, among others, may not handle the formalities in respect of foreign-invested projects that have not passed the verification. According to the State Council Opinions on Further Improving the Use of Foreign Investment (國務院關於進一步做好利用外資工作的若干意見), issued by the State Council on April 6, 2010, certain “encouraged and permitted foreign investment” projects with a total investment (including capital increase) of US\$300 million or less are subject to verification by local governments, unless approval by the relevant 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). Under the relevant laws, regulations and

REGULATORY OVERVIEW

approvals, departments of the State Council may delegate approval of the establishment of certain foreign invested enterprises to local governments.

Prior to January 30, 2012, automobile distribution fell within the restricted category of foreign investment. According to the 2011 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄 (2011年修訂)) (the “2011 Catalogue”) jointly issued by the NDRC and the MOFCOM on December 24, 2011, effective as of January 30, 2012, which abolishes the 2007 Edition of the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄 (2007年修訂)), automobile distribution, maintenance and repair shall fall into the permitted category of foreign investment.

New Automobile Sales

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

The Automobile Sales Measures provide for two categories of automobile distributors, namely general automobile distributors and automobile brand dealers. Foreign automobile manufacturers are required to establish general automobile distributors in the PRC to distribute their automobiles and parts. Automobile brand dealers are defined under the Automobile Sales Measures as enterprises authorized by automobile suppliers (either automobile manufacturers or their general automobile distributors) to engage in automobile sales and services. King & Wood Mallesons, our PRC legal advisors, have confirmed that under the Automobile Sales Measures, our Group is classified as an automobile brand dealer.

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

According to the Automobile Sales Measures, automobile brand dealers shall file with the relevant local branch of the MOFCOM upon obtaining a business license. Further, according to a notice issued by the SAIC on November 10, 2005, automobile brand dealers shall also file registrations with the SAIC prior to commencing business operations.

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

Under the Automobile Repair Regulations, an operator shall have suitable facilities, equipment and technical personnel to operate an automobile maintenance and repair business. In addition, an operator shall 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.

REGULATORY OVERVIEW

Under the Road Transportation Regulations (道路運輸條例), promulgated by the State Council on April 30, 2004, which became effective on July 1, 2004 and as amended on November 9, 2012, an operator shall file an application with the local department of the Ministry of Transport and obtain a road transport license (the “Road Transport License”) prior to providing automobile maintenance and repair services. Violation of the Road Transportation Regulations may result in fines and suspension of business operations against the operator, and criminal liability may be imposed upon a person who is held directly responsible for the violation, with a sentence of imprisonment for a term up to five years, criminal detention, and/or fines of two to ten times the amount of the illegal gains. To successfully renew the Road Transport License, an applicant shall: (i) have the 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 environmental protection measures.

Our automobile maintenance and repair business conducted by our PRC subsidiaries which are foreign-invested enterprises is also subject to the Regulations on the Administration of Foreign-Invested Road Transportation Services (外商投資道路運輸業管理規定) (the “Foreign-Invested Road Transportation Services Regulations”), which was promulgated by Ministry of Transport and the MOFCOM on November 20, 2001, and became effective on November 20, 2001. According to the Foreign-Invested Road Transportation Services Regulations, a foreign-invested road transportation services enterprise shall comply with the policies on road transportation development and the requirements for enterprise qualifications formulated by the department in charge of transportation under the State Council, and shall meet the requirements for the development planning of road transportation services formulated by the department in charge of transportation at the place where the foreign-invested road transportation enterprise is to be established.

Under the Foreign-Invested Road Transportation Services Regulations, all application documents received by the local transportation bureaus should be forwarded to the Ministry of Transport, which is the ultimate authority for granting the project initiation approval (the “Project Initiation Approval”), 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 transportation bureau. On November 8, 2013, the State Council promulgated the Decision on Cancelling and Delegating A Batch of Administrative Approval Items (關於取消和下放一批行政審批項目的決定), and the authority to examine and approve the project initiation for a foreign investor to invest in the road transportation business has been delegated to the road transportation department at the provincial level. On January 11, 2014, Ministry of Transport and the MOFCOM issued a decision to amend the Foreign-Invested Road Transportation Services Regulations accordingly. Under applicable PRC laws, regulations and rules, the establishment of a foreign-invested operator shall be approved by the provincial branch of the MOFCOM, and such foreign-invested operator shall submit its Certificate of Approval for Foreign-Invested Enterprises and apply to the local branch of the Ministry of Transport for a Road Transport License prior to commencing its automobile maintenance and repair business.

Pre-owned Automobile Sales

Our pre-owned automobile sales operations is subject to the Measures for the Administration of the Circulation of Pre-owned Automobiles (二手車流通管理辦法) (the “Pre-owned Automobile Measures”), promulgated by the MOFCOM, the Ministry of Public Security, the SAIC and the SAT on August 29, 2005, which became effective on October 1, 2005.

REGULATORY OVERVIEW

Under the Pre-owned Automobile Measures, a pre-owned automobile dealer shall enter into written contracts with its customers, and provide warranties relating to the quality of the pre-owned automobile and offer arrangements for after-sale services. The Pre-owned Automobile Measures also provide for the establishment of a nationwide archival system to keep records of pre-owned automobile dealers. Pre-owned automobile dealers shall obtain operation permits and file registrations with the relevant local branch of the MOFCOM.

According to the Pre-owned Automobile Measures, a foreign-invested pre-owned automobile dealer shall obtain additional approvals from the MOFCOM. The MOFCOM delegated the approval of foreign-invested pre-owned automobile business to its provincial-level counterparts by issuing the Circular on Delegating the Examination and Approval of Foreign-invested Business Enterprises (關於下放外商投資商業企業審批事項的通知) on September 12, 2008.

Automobile Insurance

We earn commissions from insurance companies, which provide policies to our customers on the premises of most of our outlets. 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 (the “CIRC”) on August 4, 2000, which became effective on August 4, 2000.

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

Automobile Loans

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

The Loans Measures provide that an automobile dealer may not obtain financing of a term exceeding one year for the purchase of automobiles or spare parts. An automobile dealer’s asset to liability ratio, which equals to its indebtedness divided by its total assets, shall not exceed 80%, and it shall have stable and lawful income or sufficient assets to repay both the principal and interest incurred on the loan. An automobile dealer will be subject to regular credit reviews and inspections conducted by the relevant financial institutions, the frequency of which is not specified in the Loans Measures.

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

Our outlets do not apply for loans on behalf of their customers, but refer their customers to banks to apply for loans directly instead.

REGULATORY OVERVIEW

Anti-congestion

On December 23, 2010, Beijing Municipal Government promulgated the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (北京市小客車數量調控暫行規定), which became effective as of the same date. Pursuant to this regulation and its implementation rules as amended, the city imposes an annual quota on the issuance of new vehicle registration plates. The quota for 2014 to 2017 is 600,000 in aggregate. Potential automobile purchasers need to meet specific criteria and enter into a bi-monthly draw. Only candidates who have been allocated a plate in the draw can apply to have their automobiles registered with the local vehicle administration in Beijing. Shanghai has implemented an auction system for the issuance of new vehicle registration plates since 1994. Under this system, each applicant is required to submit a “blind” bid for a vehicle registration plate. Only successful bidders can apply to have their automobiles registered with the local vehicle administration in Shanghai. Out-of-city vehicles bearing non-Shanghai registration plates are not allowed on certain roads during specified rush hours. We were not materially and adversely affected by the aforementioned anti-congestion regulations during the Track Record Period.

COMPANY LAW

The incorporation and operation of our subsidiaries in China is governed by the Company Law (公司法), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993, and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005. On December 28, 2013, the Standing Committee of the National People's Congress further adopted the Amendments on the Company Law, which became effective on March 1, 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution.

The Company Law provides for two general types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of its assets. A shareholder's liability is limited to the amount of registered capital contributed by such shareholder.

The Company Law also applies to foreign-invested companies.

WHOLLY FOREIGN-OWNED ENTERPRISES

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

MERGERS AND ACQUISITIONS

On August 8, 2006, six PRC governmental agencies, including the MOFCOM and the CSRC, promulgated the Regulation on the Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which became effective on September 8, 2006, and was further revised by the MOFCOM on June 22, 2009. The M&A Rules govern, among other things, purchases by foreign investors of equity interest in a domestic

REGULATORY OVERVIEW

enterprise, subscriptions by foreign investors of equity interest in a domestic enterprise, and purchases and operations by foreign investors of the assets and business of a domestic enterprise.

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

King & Wood Mallesons, our PRC legal advisors, have advised that the listing of our Company on the Hong Kong Stock Exchange does not require the CSRC’s approval as both Mr. Wu and Mrs. Chiu became Hong Kong residents before the effective date of the M&A Rules. However, as advised by our PRC legal advisors, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and the relevant PRC governmental agencies, including the CSRC, may not reach the same conclusion as that of our PRC legal advisors.

PROPERTY LAW

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

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

The Land Administration Law (土地管理法), promulgated by the Standing Committee of the National People’s Congress on June 25, 1986, which became effective on January 1, 1987, as amended on December 29, 1988 and August 28, 2004, provides that collectively owned land shall not be used for non agricultural purposes, and the land administrative authority at or above the county level may impose fines and confiscate the illegal gains from such violation.

According to the Provisional Regulations on Urban State-owned Land Grant and Transfer (城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990, effective as of the same date, lease of allocated land shall be approved by the land administrative department and real estate administrative department at the county level.

REGULATORY OVERVIEW

REGULATIONS RELATING TO TAXATION

Consumption Tax

The PRC Government adopted an automobile consumption tax on January 1, 1994. Pursuant to the Notice on Adjusting the Policy of Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) promulgated by Ministry of Finance and State Administration of Taxation, which became effective as of September 1, 2008, the personal automobile consumption tax rate for vehicles with engine displacement capacity of less than 1.0 liter has been reduced from 3% to 1%, whereas the tax rate for vehicles with larger engine displacements has been increased. In particular, the tax rate for vehicles with engine displacement of 3.0 to 4.0 liters increased from 15% to 25%, and the tax rate for vehicles with engine displacement of more than 4.0 liters increased from 20% to 40%.

According to the PRC Vehicle and Vessel Tax Law (中華人民共和國車船稅法) as promulgated by the Standing Committee of The National People's Congress and its implementation regulations effective as of January 1, 2012, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400.

Other Taxes

Please see “Taxation — PRC Taxation” in Appendix III to this prospectus.

FOREIGN EXCHANGE CONTROL

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

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 (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular”), promulgated by the SAFE on October 21, 2005, which became effective on November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with the local SAFE bureau, and to update such registration within 30 days of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or

REGULATORY OVERVIEW

spin-offs. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from the PRC entities to the relevant offshore entities in which the PRC residents have direct or indirect investments. SAFE subsequently issued a series of guidance to its local branches, which standardized more specific and stringent supervision on the registration relating to the SAFE Circular. Such guidance included the Circular Concerning Further Improvement and Adjustment of Foreign Exchange Administration Policy of Foreign Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) ("New Circular 59"), which was promulgated by SAFE on November 19, 2012, and became effective on December 17, 2012.

Please refer to "Risk Factors — Risks Relating to Conducting Business in the PRC — 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".

King & Wood Mallesons, our PRC Legal Advisors, have advised that the SAFE Circular is not applicable to Mr. Wu and Ms. Chiu as they are not PRC residents under the above circulars.

On August 29, 2008, the SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) ("Circular 142"). Circular 142 requires that the registered capital of a foreign invested enterprise (the "FIE") converted into Renminbi from foreign currencies be only utilized for the purposes within its business scope. For example, such converted amounts may not be used for investments in or acquisitions of other companies, which can inhibit the ability of companies to consummate such transactions. In addition, the SAFE strengthened its oversight of the flow and use of the registered capital of FIEs settled in Renminbi, which are converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. Violations may result in severe penalties, such as heavy fines. Furthermore, the SAFE promulgated the Circular on Relevant Issues on Strengthening the Administration of Foreign Exchange Business (關於加強外匯業務管理有關問題的通知) on November 9, 2010, effective as of the same date ("Circular 59"), which tightens the regulation over settlement of net proceeds from overseas offerings, such as this Offering, and requires that the settlement of net proceeds shall be consistent with the description in the prospectus for the offering.

The Circular 59 simplifies many foreign exchange procedures for, and removes many of the approval requirements in relation to, foreign direct investments in China, including, without limitation, the procedures and approvals required for opening foreign exchange bank accounts, settlement of foreign invested enterprise's foreign exchange capital, reinvestment by foreign investors with legitimate incomes generated within China and payment of equity purchase price to Chinese shareholders for cross-border equity acquisitions.

EMPLOYEE STOCK OPTION PLAN

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 the SAFE on January 5, 2007, which became effective on February 1, 2007, require PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to register with the SAFE or its local counterparts.

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On February 20, 2012, the SAFE distributed the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “Stock Option Rules”), which terminated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas Publicly-Listed Company (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued by the SAFE in March 2007. According to the Stock Option Rules, if a PRC resident participates in any stock incentive plan of an overseas publicly listed company, a qualified PRC domestic agent must, among other things, file on behalf of such participant an application with the SAFE to conduct the SAFE registration with respect to such stock incentive plan and apply with the SAFE for the foreign exchange payment quota. Such income received from the sale of stock and dividends distributed by the overseas publicly listed company shall be fully remitted into a PRC collective foreign currency account opened and managed by the PRC agent before distribution to such participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas-entrusted institution or any other material changes.

Our PRC resident employees who participate in our Share Option Scheme will be subject to the Individual Foreign Exchange Rule and the Stock Option Rules. Our PRC resident employees who have been granted share awards under our Pre-IPO Share Award Scheme may be subject to the Individual Foreign Exchange Rule and the Stock Option Rules when our Company becomes an overseas-listed company upon completion of the Global Offering. If we or our PRC resident employees who participate in the Pre-IPO Share Award Scheme and the Share Option Scheme fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and our PRC resident grantees may be subject to fines and other legal sanctions and restrictions may be imposed on the execution of the Pre-IPO Share Award Scheme and the Share Option Scheme.

FOREIGN EXCHANGE RATE

On July 21, 2005, the PBOC changed the fixed RMB-US\$ exchange system to a floating exchange system based on market supply and demand. The closing prices of foreign currencies, including the U.S. dollar, are announced by the PBOC in the inter-bank foreign exchange market after the close of the market on each working day and are the central parities for trading against Renminbi on the following working day. The daily trading price of the U.S. dollar against the Renminbi in the inter-bank foreign exchange market has been allowed to float within a band of 0.5% around the central parity published by the PBOC since May 21, 2007, while the trading prices of non-U.S. dollar currencies against the Renminbi have been allowed to float within a band of 3.0% around the central parity published by the PBOC since September 23, 2005.

SHAREHOLDER LOANS

Under existing PRC laws, regulations and rules, a foreign-invested enterprise may seek shareholder loans from offshore investors. In such case, a foreign-invested enterprise shall apply to the SAFE or its local counterparts for foreign loan registration certificates and foreign exchange settlements. The aggregate amount of such foreign loans shall not exceed the margin between the total investment and registered capital of such foreign-invested enterprise and shall be registered with the local SAFE bureau. The recipient of a shareholder loan shall 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 shareholder loan with its own foreign exchange funds or by purchasing foreign exchange with Renminbi upon receiving the SAFE’s approval.

REGULATORY OVERVIEW

DIVIDEND DISTRIBUTIONS

Under the Law on Wholly Foreign-Owned Enterprises (外資企業法), promulgated by the National People's Congress on April 12, 1986 which became effective on April 12, 1986, and as amended on October 31, 2000, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to employees' funds as specified under PRC laws, regulations and rules, 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 the SAFE's approval.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law (環境保護法), promulgated on December 26, 1989 by the Standing Committee of the National People's Congress, which became effective on December 26, 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions. The Environmental Protection Law was amended by the Standing Committee of the National People's Congress on April 24, 2014, which strengthens the supervision and regulation on the environmental protection on the national level and imposes stricter punishment on the illegal activities. The amendments will become effective on January 1, 2015.

Air Pollution

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

Water Pollution

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

Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on October 29, 1996, which became effective on

REGULATORY OVERVIEW

March 1, 1997, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on October 28, 2002, which became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on November 29, 1998, which became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on December 27, 2001, which became effective on February 1, 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

AUTOMOBILE RECALLS

The Administrative Provisions on Recall of Defective Automotive Products (缺陷汽車產品召回管理規定) (the "Recall Rules"), promulgated by State Administration of Quality Supervision, Inspection and Quarantine, the NDRC, the MOFCOM, and the General Administration of Customs on March 12, 2004, which became effective on October 1, 2004, require all automobile outlets to report defects in automobiles and automobile-related products to both the relevant automobile manufacturers and the PRC Government authorities, and to fully cooperate with the automobile manufacturers in the conduct of automobile recall activities and with the PRC Government authorities in any investigations thereto.

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

On October 22, 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on January 1, 2013 (the "New Recall Rules"). In accordance with the New Recall Rules, the sellers shall cease selling defective automobile products upon becoming aware of the defects in the

REGULATORY OVERVIEW

automobile products or receiving the recall plan from the manufacturers. The New Recall Rules also provide for higher penalty for violations by the sellers. A penalty fine between RMB500,000 to RMB1 million may be imposed on sellers who fail to cooperate with the defect investigation carried out by products quality supervision authorities, and who refuse to make corrections after receiving the orders from products quality supervision authorities; illegal proceeds, if any, shall be confiscated concurrently; in cases of violations, relevant permits shall be revoked by the licensing authorities.

PRODUCT QUALITY

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

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

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

CONSUMER PROTECTION

The Consumer Protection Law (消費者權益保護法), promulgated on October 31, 1993 by the Standing Committee of the National People's Congress, which became effective on January 1, 1994, prescribes standards of behavior for businesses in dealing with consumers.

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

Article 35 of the Consumer Protection Law stipulates that consumers whose legitimate rights and interests are infringed upon during the purchase or use of a product may demand compensation from the relevant vendor. In the event the liability is attributable to another supplier or the manufacturer, the vendor may in turn demand recovery of any compensation paid to the consumer from the supplier or manufacturer, as the case may be. In addition, consumers who suffer personal injury or property damage due to product defects may demand compensation from either the vendor or the manufacturer. If the liability is attributable to the manufacturer, the vendor may demand recovery of any compensation it paid to the consumer. If the default and liability are attributable to the vendor, the manufacturer may demand recovery of any compensation it paid to the consumer.

REGULATORY OVERVIEW

In addition, Article 45 of the Consumer Protection Law provides that businesses shall be responsible for the repair, replacement or return of goods if such warranties are required by the PRC laws or provided under the agreements between the businesses and consumers, and further, that businesses shall bear the reasonable costs of transport 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.

GUARANTEES FOR FAMILY CAR PRODUCTS

On December 29, 2012, the General Administration of Quality Supervision, Inspection and Quarantine (the “AQSIQ”) promulgated the Rules on the Liability for Repair, Replacement and Return of Family Car Products (家用汽車產品修理、更換、退貨責任規定), which became effective on October 1, 2013 (the “Three Guarantees Rules”).

The Three Guarantees Rules provide for the “three guarantees services” responsibilities of the automobile sellers. After discharging the responsibilities for their “three guarantees services”, the seller is entitled to claim against and seek compensation from the manufacturers or other dealers of family car products if the liabilities are attributable to the manufacturers or other dealers, as the case may be.

According to the Three Guarantees Rules, the repair guarantee period for family car products should be no less than three years or 60,000 km mileage, whichever comes first; and the warranty period should be no less than two years or 50,000 km mileage, whichever comes first.

If quality problems with the key components of the engine or the gear box emerge within 60 days from the date of invoice or within 3,000 km mileage, whichever comes first, consumers are entitled to free replacement of the engine or the gear box. Within the prescribed guarantee period, consumers may demand for the replacement or return of the family car products if there are serious quality problems such as the cracking of car body, failure of the braking or steering system and fuel leaks, and the seller shall be responsible for free replacement or return.

Also, within the warranty period, consumers are entitled to free replacement or return if, after two repairs, serious safety problems persist or new safety problems emerge. The same applies if quality problems with the engine, gear box or car body are such that normal usage is impossible after two replacements of the assembly concerned; or if normal usage is impossible after two replacements of the same key component of other assemblies or systems expressly specified in the manufacturer’s guarantee. The seller shall be responsible for free return or replacement.

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Within 15 working days upon a consumer making a demand for replacement, the seller shall provide the consumer with a proof of replacement. Within 15 working days upon a consumer making a demand for return, the seller shall provide the consumer with a proof of return and pay back the invoice price of the car in one lump sum.

In case of violation of the Three Guarantees Rules, the sellers will be punished for illegal activities according to the relevant laws and regulations; if such violations do not constitute an illegal activity, the sellers will be given formal warnings and ordered to make corrections; and in serious cases, the seller will be made to pay fines up to RMB30,000. Any violation of the Three Guarantees Rules will be publicly published.

COMPETITION AND ANTI-TRUST LAWS

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

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

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

INTELLECTUAL PROPERTY RIGHTS

International Conventions

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

Trademarks

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

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- using a trademark, which is identical or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling commodities that infringe upon the right to exclusive use of a registered trademark;
- forging or manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

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

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

The Provisions on Recognition and Protection of Well-Known Trademarks (馳名商標認定和保護規定), promulgated by the SAIC on April 17, 2003, which became effective on June 1, 2003, protects well-known trademarks, which are recognized on a case-by-case basis by the Trademark Review and Adjudication Board of the SAIC, the Trademark Office of the SAIC, or the PRC courts.

Copyrights

The Copyright Law (著作權法) was promulgated by the National People's Congress on September 7, 1990, and became effective on June 1, 1991, and was amended on October 27, 2001 and February 26, 2010. The Implementation Rules of the Copyright Law was promulgated by the State Council on August 2, 2002, and became effective on September 15, 2002. Under the Copyright Law, copyright is automatically granted upon completion of a work and registration is voluntary. The period of copyright protection for an individual author is the lifetime of the author plus 50 years, or 50 years from the date of first publication if the author is a legal entity or organization. No protection is granted if a copyrightable work of a legal entity or organization is not published within 50 years of its completion.

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

REGULATORY OVERVIEW

Domain Names

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

The Measures on Domain Name Dispute Resolution (2006 Edition) (中國互聯網信息中心域名爭議解決辦法(2006年修訂)) (the “Domain Name Dispute Resolution Measures”) were promulgated by the Chinese Internet Network Infrastructure Center on February 14, 2006, and became effective on March 17, 2006. The Domain Name Dispute Resolution Measures require domain name disputes to be submitted to institutions authorized by the Chinese Internet Network Information Center for resolution.

LABOR

Employment Contracts

The Labor Contract Law (勞動合同法), promulgated by the Standing Committee of the National People’s Congress on June 29, 2007, which became effective on January 1, 2008 and was amended on December 28, 2012, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labor Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labor Contract Law, employment contracts lawfully concluded prior to the implementation of the Labor Contract Law and continuing as of the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labor Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People’s Congress on December 28, 2010, which became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), promulgated by the State Council on January 22, 1999, which became effective on January 22, 1999, and the Regulations on the Administration of Housing Funds (住房公積金管理條例), promulgated by the State Council on April 3, 1999, which became effective on April 3, 1999 and as amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

OUR HISTORY AND REORGANIZATION

OUR HISTORY

History and Development

Our history can be traced back to 2000 when Audi was recruiting automobile dealerships in Xi'an, Shaanxi Province. Prior to establishing our Group, Mr. Wu and Ms. Chiu (Mr. Wu's wife), our Founders and Controlling Shareholders, had been working in the relevant PRC automobile industry for a number of years and had accumulated extensive experience which they then used as the foundation for our success. Having an understanding of the automobile dealership business and its growth potential in Xi'an, our Founders and Controlling Shareholders, entered into the dealership authorization agreement with Audi and established Shaanxi Sunfonda which subsequently opened our first Audi 4S dealership store in Xi'an of Shaanxi Province and expanded our dealership network and brand portfolio over the last 13 years.

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR. In addition, we have a proven track record of establishing successful and high quality outlets. We were the largest automobile dealership group in Xi'an City and Shaanxi Province in terms of revenue in 2012, according to ACMR. As of the Latest Practicable Date, we had ten outlets covering such ultra-luxury automobile brands as Porsche and Ferrari/Maserati, for which we were the only dealer in Northwestern China, as well as two outlets covering Bentley, for which we were the only dealer in Shaanxi Province, and 13 outlets covering luxury automobile brands such as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. As of the Latest Practicable Date, we had received non-binding letters of intent from automobile suppliers, and we planned to establish one outlet for ultra-luxury automobile brand of Ferrari/Maserati, nine outlets for luxury automobile brands including Audi, Volkswagen Imported, Hongqi and Chrysler and one outlet for Shanghai Volkswagen, a middle market brand.

Our Group's business has expanded rapidly since our establishment. The following sets forth the key milestones of our automobile dealership business to date:

Year	Milestones
2002	We opened our first Audi 4S dealership store in Xi'an, which was among the first Audi dealerships in Northwestern China.
2005	We opened our first Volkswagen Imported 4S dealership store in Xi'an, which was among the first Volkswagen Imported 4S dealership stores in Northwestern China.
2007	We expanded our brand portfolio to cover ultra-luxury automobile brands by opening in Xi'an the first and only Porsche 4S dealership store in Northwestern China. We further strengthened our market position in Northwestern China by opening our first Cadillac 4S dealership store, which was also the first Cadillac 4S dealership store in Northwestern China.
2008	We opened our first Lexus 4S dealership store in Xi'an, which was the only Lexus 4S dealership store in Shaanxi Province.

OUR HISTORY AND REORGANIZATION

Year	Milestones
2010	We expanded our ultra-luxury automobile dealership network to Shanxi Province through the establishment of our second Porsche 4S dealership store, which was also the first Porsche 4S dealership store in Shanxi Province.
2011	We opened a Bentley automobiles showroom in Xi'an, which made us the first authorized dealer of Bentley in Northwestern China. We opened our second Audi 4S dealership store in Xi'an.
2012	We expanded our ultra-luxury automobile dealership network to Inner Mongolia by opening our third Porsche 4S dealership store, which was also the first Porsche 4S dealership store in Inner Mongolia. We further expanded our network to cover Ferrari/Maserati by setting up a showroom in Xi'an, which was the first and only Ferrari/Maserati outlet in Northwestern China. We expanded our automobile dealership network to more developed, populous and affluent areas in the Yangtze River Delta by opening a Volkswagen Imported 4S dealership store in Yangzhou.
2013	We opened five new dealership stores of luxury and ultra-luxury automobile brands, including our first Hongqi automobiles showroom in Xi'an, which was the first Hongqi outlet in Northwestern China.

Awards and Achievements

Our outlets have received recognition and numerous awards from automobile suppliers, including the following:

Brand	Award
Porsche	Ranked fifth in the "Dealer of the Year in China 2012" Ranked sixth in the "Dealer of the Year in China 2011" Ranked first in sales of TEQ in China in the second half of 2011 "Best Practice of Marketing in China 2011"
Audi	"Marketing Project Bronze Award" in the "2nd Audi Marketing Competition" in 2010
Volkswagen Imported	"Best Retailing Sales Bronze Award in China 2012" "Best Sales Growth Award in China 2011" "Best Customer Satisfaction Award in China 2011" "Sales Leap Award in China 2009"
Lexus	"Excellent After Sales Consultant Award 2012" "Excellent Dealership Award 2009" "Excellent Sales Consultant Award 2009"

OUR HISTORY AND REORGANIZATION

Brand	Award
Cadillac	“Four-Star Sales Award in China 2012” “Four-Star After Sales Services Award in China 2012” “Silver Award for Management of After Sales Spare Parts in China 2012” “Five-Star Sales Award in China 2011”
Bentley	“Best Market Managing in China 2013”

OUR GROUP MEMBERS

(a) Operating entities

1. *Shaanxi Sunfonda Technology*

Shaanxi Sunfonda Technology was established by Mr. Hu Yongtang (as to 85%) and Ms. Wang Yang (as to 15%) on July 20, 2001 with a total registered capital of RMB3 million. Mr. Hu Yongtang and Ms. Wang Yang held the equity interest in Shaanxi Sunfonda Technology on behalf of and for the benefit of Mr. Wu and Ms. Chiu, respectively, under trust arrangements.

In October 2002, Mr. Zhao, acting as the nominee of Mr. Wu, purchased the 85% equity interest in Shaanxi Sunfonda Technology from Mr. Hu Yongtang for a consideration of RMB2,550,000, which was determined with reference to the then registered capital of Shaanxi Sunfonda Technology. On the same day, Ms. Hu Xiufang (“Ms. Hu”), sister of Mr. Wu, acting as the nominee of Ms. Chiu, purchased the 15% equity interest in Shaanxi Sunfonda Technology from Ms. Wang Yang for a consideration of RMB450,000, which was determined with reference to the then registered capital of Shaanxi Sunfonda Technology.

In August 2003, the registered capital of Shaanxi Sunfonda Technology was increased to RMB8 million. In October 2008, at the instruction of Ms. Chiu, Ms. Hu transferred her 15% equity interest in Shaanxi Sunfonda Technology to Ms. Teng for a consideration of RMB1.2 million, which was determined with reference to the then registered capital of Shaanxi Sunfonda Technology. Ms. Teng held such equity interest on behalf of and for the benefit of Ms. Chiu under a trust arrangement.

In December 2009, the registered capital of Shaanxi Sunfonda Technology was further increased to RMB10 million, which had been fully paid.

On July 30, 2010, Mr. Zhao and Ms. Teng, at the instruction of Mr. Wu and Ms. Chiu, transferred their respective 85% and 15% equity interests in Shaanxi Sunfonda Technology to Sunfonda HK. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below. Subsequent to such transfer, Shaanxi Sunfonda Technology become a wholly owned subsidiary of Sunfonda HK.

In October 2013, the registered capital of Shaanxi Sunfonda Technology was further increased to RMB250 million, which had been fully paid.

Shaanxi Sunfonda Technology is principally engaged in the sales and after-sales services of Volkswagen Imported automobiles and also acts as the onshore holding company of most of our PRC operating subsidiaries. Please see “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” for details.

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2. Shaanxi Sunfonda

Shaanxi Sunfonda was established by Mr. Hu Yongtang, father of Mr. Wu (as to 85%) and Tangdu Imported Automobiles Repair Service Company (唐都進口汽車修理服務中心) (“Tangdu”) (as to 15%) on November 23, 2000, with a total registered capital of RMB5 million. Mr. Hu Yongtang held the equity interest in Shaanxi Sunfonda on behalf of and for the benefit of Mr. Wu under a trust arrangement and had passed away. Tangdu was a State-owned enterprise and an Independent Third Party.

In April 2001, Ms. Wang Yang, an employee of Shaanxi Sunfonda, acting as the nominee of Ms. Chiu, purchased the 15% equity interest in Shaanxi Sunfonda from Tangdu for a consideration of RMB750,000 with reference to the then registered capital of Shaanxi Sunfonda (the “Equity Transfer”). The Equity Transfer did not go through an independent valuation and was not formally approved by the State-owned assets administration authorities in accordance with relevant PRC laws and regulations on the disposal of State-owned assets. Shaanxi Sunfonda contributed 22.3% of our total revenue for 2012.

China North Industries Group Corporation (Northwestern Department) (中國兵器工業集團公司(西北兵工部)) (“CNIG”) issued the State-owned Assets Appraisal Filing on December 6, 2002 confirming the appraisal result of Tangdu, and further issued the Reply on the Restructuring of Tangdu Imported Automobiles Fix Service Company on December 31, 2002 approving the transformation of Tangdu. The Northwestern Bureau of China North Industrial Group Corporation (中國兵器工業集團公司西北兵工局) (“Northwestern Bureau”), successor of CNIG, issued a confirmation on September 25, 2013 confirming that (i) CNIG is the predecessor of Northwestern Bureau; and (ii) it has no objection to the appraisal result of Tangdu, nor to the Equity Transfer. King & Wood Mallesons, our PRC legal advisors, have advised us that CNIG and Northwestern Bureau are the competent State-owned assets administration authorities and are competent to issue such approval and confirmation.

Based on the above approvals and confirmations issued by CNIG and the Northwestern Bureau and given that: (i) at the time of the Equity Transfer, Shaanxi Sunfonda had not commenced operation and had incurred losses for the preparation for its operations; (ii) the consideration of RMB750,000 for the Equity Transfer, representing the 15% registered capital of Shaanxi Sunfonda, had been fully paid by Ms. Wang Yang to Tangdu; and (iii) the equity transfer was duly registered with the relevant administration for industry and commerce without being subject to any penalty or legal liability or any dispute, and its subsequent changes have been duly approved by and registered with the applicable government departments up to the Latest Practicable Date, King & Wood Mallesons, our PRC legal advisors, are of the view that there is no evidence which indicates that the Equity Transfer incurred loss of State-owned assets to Tangdu, or the existence of historical procedural defects will render the Equity Transfer void or otherwise have any adverse impact on the Group's ownership of such 15% equity interest in Shaanxi Sunfonda. Our Controlling Shareholders also undertake to provide indemnity to our Group for any loss and liability arising from such historical procedural defects.

In July 2001, the registered capital of Shaanxi Sunfonda was increased to RMB16.5 million. In December 2001, at the instruction of Ms. Chiu, Ms. Wang Yang transferred the 15% equity interest in Shaanxi Sunfonda to Ms. Hu, for a consideration of RMB2.5 million, which was determined with reference to the then registered capital of Shaanxi Sunfonda. Ms. Hu held such equity interest on behalf of and for the benefit of Ms. Chiu under a trust arrangement. Subsequently, in October 2002 and October 2008, respectively, at the instructions of Mr. Wu and Ms. Chiu, Mr. Hu Yongtang transferred his 85% equity interest in Shaanxi Sunfonda to Mr. Zhao

OUR HISTORY AND REORGANIZATION

and Ms. Hu transferred her 15% equity interest in Shaanxi Sunfonda to Ms. Teng. Mr. Zhao is Ms. Chiu's brother and Ms. Teng's husband. Mr. Zhao and Ms. Teng held the equity interest in Shaanxi Sunfonda on behalf of, and for the benefit of, Mr. Wu and Ms. Chiu, respectively, under trust arrangements.

In June 2004, the registered capital of Shaanxi Sunfonda was increased to RMB30 million and such amount had been fully paid.

On October 8, 2010, Mr. Zhao and Ms. Teng, at the instruction of Mr. Wu and Ms. Chiu, transferred their respective 85% and 15% equity interests in Shaanxi Sunfonda to Sunfonda HK. Subsequent to such transfer, Shaanxi Sunfonda became a wholly owned subsidiary of Sunfonda HK. On June 4, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Sunfonda to Shaanxi Sunfonda Technology. For further details, please refer to the section headed "Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries" below.

Shaanxi Sunfonda is principally engaged in the sales and after-sales services of Audi automobiles.

3. *Xi'an Xinmingyang*

Xi'an Xinmingyang was established by Mr. Zhao (as to 85%) and Ms. Hu (as to 15%) on September 29, 2003 with a total registered capital of RMB10 million, which had been fully paid. Mr. Zhao and Ms. Hu held equity interest in Xi'an Xinmingyang on behalf of, and for the benefit of, Mr. Wu and Ms. Chiu, respectively, under trust arrangements.

In October 2008, at the instruction of Ms. Chiu, Ms. Hu transferred her 15% equity interest in Xi'an Xinmingyang to Ms. Teng, for a consideration of RMB1.5 million, which was determined with reference to the then registered capital of Xi'an Xinmingyang. Ms. Teng held such equity interest on behalf of and for the benefit of Ms. Chiu under a trust arrangement.

On October 8, 2010, Mr. Zhao and Ms. Teng, at the instruction of Mr. Wu and Ms. Chiu, transferred their respective 85% and 15% interests in Xi'an Xinmingyang to Sunfonda HK. Subsequent to such transfer, Xi'an Xinmingyang became a wholly owned subsidiary of Sunfonda HK. On July 15, 2013, Sunfonda HK transferred the entire equity interest in Xi'an Xinmingyang to Shaanxi Sunfonda Technology. For further details, please refer to the section headed "Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries" below.

Xi'an Xinmingyang is principally engaged in the sales and after-sales services of Toyota automobiles.

4. *Shaanxi Kaisheng*

Shaanxi Kaisheng was established by Mr. Zhao (as to 85%) and Ms. Hu (as to 15%) on February 17, 2006 with a total registered capital of RMB5 million. Mr. Zhao and Ms. Hu held equity interest in Shaanxi Kaisheng on behalf of, and for the benefit of, Mr. Wu and Ms. Chiu under trust arrangements.

In October 2008, at the instruction of Ms. Chiu, Ms. Hu transferred her 15% equity interest in Shaanxi Kaisheng to Ms. Teng, for a consideration of RMB0.75 million, which was determined with reference to the then registered capital of Shaanxi Kaisheng. Ms. Teng held such equity interest on behalf of, and for the benefit of, Ms. Chiu under a trust arrangement.

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On October 8, 2010, Mr. Zhao and Ms. Teng, at the instructions of Mr. Wu and Ms. Chiu, transferred their respective 85% and 15% equity interests in Shaanxi Kaisheng to Sunfonda HK. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below. Subsequent to such transfer, Shaanxi Kaisheng became a wholly owned subsidiary of Sunfonda HK.

In May 2011, the registered capital of Shaanxi Kaisheng was increased to RMB15 million, and such amount had been fully paid.

On June 25, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Kaisheng to Shaanxi Sunfonda Technology. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below.

Shaanxi Kaisheng is principally engaged in the sales and after-sales services of Cadillac automobiles.

5. *Shaanxi Xinjie*

Shaanxi Xinjie was established by Mr. Zhao (as to 85%) and Ms. Hu (as to 15%) on June 12, 2006 with a total registered capital of RMB5 million. Mr. Zhao and Ms. Hu held the equity interest in Shaanxi Xinjie on behalf of, and for the benefit of, Mr. Wu and Ms. Chiu, respectively, under trust arrangements.

In October 2007, the registered capital of Shaanxi Xinjie was increased to RMB13 million, and such amount had been fully paid.

In October 2008, at the instruction of Ms. Chiu, Ms. Hu transferred her 15% equity interest in Shaanxi Xinjie to Ms. Teng, for a consideration of RMB1.95 million, which was determined with reference to the then registered capital of Shaanxi Xinjie. Ms. Teng held such equity interest on behalf of, and for the benefit of, Ms. Chiu under a trust arrangement.

On October 8, 2010, Mr. Zhao and Ms. Teng, at the instruction of Mr. Wu and Ms. Chiu, transferred their respective 85% and 15% interests in Shaanxi Xinjie to Sunfonda HK. Subsequent to such transfer, Shaanxi Xinjie became a wholly owned subsidiary of Sunfonda HK. On June 25, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Xinjie to Shaanxi Sunfonda Technology. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below.

Shaanxi Xinjie is principally engaged in the sales and after-sales services of Porsche automobiles.

All aforementioned transfers of equity interests in our operating companies have been completed as at the Latest Practicable Date.

OUR HISTORY AND REORGANIZATION

Details of our other subsidiaries are set out below:

No.	Name of Subsidiary	Establishment Date	Registered capital as at the Latest Practicable Date	Principal operation
1.	Xi'an Junsheng	December 19, 2006	HK\$20.0 million	Sales of Lexus automobiles and after-sales services
2.	Shanxi Yingjie	March 5, 2009	HK\$15.0 million	Sales of Porsche automobiles and after-sales services
3.	Xi'an Sunfonda Star	December 28, 2009	HK\$84.0 million	Sales of Mercedes-Benz automobiles and after-sales services
4.	Ordos Sunfonda Xinjie	May 6, 2010	RMB16.8 million	Sales of Porsche automobiles and after-sales services
5.	Beijing Sunfonda Boao	July 9, 2010	HK\$38.0 million	No business operation or planned business operation
6.	Shaanxi Sunfonda Boao	September 13, 2010	RMB55.2 million	Sales of Audi automobiles and after-sales services
7.	Ordos Sunfonda Kaisheng	December 10, 2010	RMB11.7 million	Sales of Cadillac automobiles and after-sales services
8.	Lanzhou Sunfonda	June 20, 2011	RMB38.1 million	Sales of Porsche automobiles and after-sales services
9.	Yan'an Sunfonda Boao	July 27, 2011	HK\$20.0 million	Sales of Audi automobiles and after-sales services
10.	Suzhou Sunfonda	July 1, 2011	HK\$20.0 million	Sales of Volkswagen Imported automobiles and after-sales services
11.	Shaanxi Sunfonda Bentley	August 30, 2011	HK\$21.0 million	Sales of Bentley automobiles and after-sales services
12.	Yulin Sunfonda Kaisheng	December 19, 2011	HK\$8.0 million	Expected to carry out sales of automobiles and after-sales services
13.	Yulin Sunfonda Meidong	December 19, 2011	HK\$8.0 million	Expected to carry out sales of automobiles and after-sales services
14.	Shaanxi Sunfonda Junmei	June 12, 2012	RMB50.0 million ⁽¹⁾	Sales of Ferrari/Maserati automobiles
15.	Shanxi Sunfonda	September 13, 2012	RMB10.0 million ⁽²⁾	Expected to commence sales of Volkswagen Imported automobiles and after-sales services in the fourth quarter of 2014
16.	Suzhou Sunfonda Meidong	September 18, 2012	RMB10.0 million ⁽³⁾	Expected to carry out sales of automobiles and after-sales services

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No.	Name of Subsidiary	Establishment Date	Registered capital as at the Latest Practicable Date	Principal operation
17.	Shanxi Sunfonda Junmei	December 21, 2012	RMB50.0 million ⁽⁴⁾	Sales of Maserati automobiles and after-sales services
18.	Wuxi Sunfonda	January 5, 2013	RMB10 million ⁽⁵⁾	Expected to commence sales of Volkswagen Imported automobiles and after-sales services in the third quarter of 2014
19.	Yangzhou Boao	February 1, 2013	RMB30 million	Expected to commence sales of Audi automobiles and after-sales services in the third quarter of 2014
20.	Yulin Sunfonda	March 25, 2013	RMB10 million ⁽⁶⁾	Expected to carry out sales of automobiles and after-sales services
21.	Xi'an Hongqi	May 10, 2013	RMB10 million	Sales of Hongqi automobiles
22.	Ningxia Sunfonda Xinjie	June 18, 2013	HK\$5 million	Sales of Porsche automobiles and after-sales services
23.	Ningxia Sunfonda Junmei	August 12, 2013	RMB20 million	Sales of Maserati automobiles and after-sales services
24.	Wuxi Sunfonda Dehui	August 30, 2013	RMB5 million	Sales of Volkswagen Imported automobiles
25.	Suzhou Sunfonda Dehui	December 24, 2013	RMB5 million	Expected to commence sales of Volkswagen Imported automobiles and after-sales services in the third quarter of 2014
26.	Beijing Sunfonda Automobile	January 6, 2014	RMB10 million	Expected to commence sales of Audi automobiles and after-sales services in the third quarter of 2014
27.	Weinan Sunfonda Boao	January 8, 2014	RMB10 million	Expected to commence sales of Audi automobiles and after-sales services in the fourth quarter of 2014

(1) As of December 31, 2013, RMB30.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by June 11, 2014.

(2) As of December 31, 2013, RMB2.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by July 13, 2014.

(3) As of December 31, 2013, RMB2.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by September 17, 2014.

(4) As of December 31, 2013, RMB20.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by November 14, 2014.

(5) As of December 31, 2013, RMB2.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by January 4, 2015.

(6) As of December 31, 2013, RMB2.0 million had been paid. According to applicable PRC laws and the Articles of Association, we expect to pay the remaining registered capital by March 24, 2015.

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Trust arrangements of our PRC operating subsidiaries

As mentioned above, all the trust arrangements were made by our Founders in relation to their holdings of equity interests in Shaanxi Sunfonda, Shaanxi Sunfonda Technology, Xi'an Xinmingyang, Shaanxi Kaisheng and Shaanxi Xinjie. All of Mr. Hu Yongtang, Ms. Hu, Ms. Wang Yang, Mr. Zhao and Ms. Teng are PRC nationals, and they acted as nominee equity holders for Mr. Wu (who became a Hong Kong permanent resident in 1993) and Ms. Chiu (who became a Hong Kong permanent resident in 1996).

The trust arrangement for each nominee equity holder commenced on the date when Mr. Hu Yongtang, Ms. Hu, Ms. Wang Yang, Mr. Zhao and Ms. Teng respectively became holders of the equity interests in the aforementioned companies and ended upon the transfer of such equity interests by each of them. The Company has obtained a written confirmation from each nominee equity holder (other than Mr. Hu Yongtang who has passed away) confirming each of the trust arrangements, and has also obtained a verification opinion from a PRC law firm which handled (i) the incorporation of Shaanxi Sunfonda and Shaanxi Sunfonda Technology, respectively, and (ii) the transfer of equity interests in these two companies from Mr. Hu Yongtang to Mr. Zhao in October 2002. The verification opinion indicated that Mr. Hu Yongtang held the equity interests in these two companies on behalf of and for the benefit of Mr. Wu.

The trust arrangements were in place to facilitate our Group's business operations and the changes in the nominee equity holders were due mainly to the management and business planning of Mr. Wu and Ms. Chiu. In particular, Ms. Wang Yang was an employee of Shaanxi Sunfonda when she held the equity interests in Shaanxi Sunfonda and Shaanxi Sunfonda Technology on behalf of Ms. Chiu. As Ms. Chiu considered it to be more secure for such equity interests be held by her family members, she instructed Ms. Wang Yang to transfer such equity interests to Ms. Hu (sister of Mr. Wu) in December 2001 and October 2002, respectively. Mr. Zhao (brother of Ms. Chiu) and Ms. Teng are a married couple, and they worked in Shaanxi Sunfonda as project manager and parts manager, respectively, when they held the equity interests in the aforementioned five companies of our Group on behalf of Mr. Wu and Ms. Chiu. Mr. Wu and Ms. Chiu instructed them to act as their nominee equity holders since it was more efficient for Mr. Zhao and Ms. Teng, who lived in Xi'an, to handle the administrative process and documents that require personal attendance by, or involvement of, the equity holders of a company.

During the period of the trust arrangements, Mr. Wu and Ms. Chiu remained beneficial owners of the relevant equity interests and were responsible for the strategic management, planning and business development of the aforementioned companies.

King & Wood Mallesons, our PRC legal advisors, based on the confirmations issued by the relevant nominees and the verification opinion as mentioned above, confirmed that the trust arrangements are legal, valid and enforceable between the relevant parties under the applicable PRC laws, regulations and rules.

(b) Investment holding entities

1. Sunfonda HK

Sunfonda HK was incorporated in Hong Kong on March 12, 1997. One share of Sunfonda HK of HK\$1 each was issued to each of P&B Corporate Services Limited and P&B Nominee Services Limited, both Independent Third Parties, on the same date, and such shares were

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transferred to Mr. Wu and Ms. Chiu, respectively, at par value in April 1997. On April 7, 1997, 599,999 shares, 299,999 shares, 50,000 shares and 50,000 shares were allotted and issued to Mr. Wu, Ms. Chiu, and two other shareholders, both being Independent Third Parties, respectively. Subsequently, in August 2002, with a view to acquiring Sunfonda HK as an investment vehicle for his business, Mr. Wu acquired 100,000 shares of Sunfonda HK held by the other shareholders (other than Ms. Chiu) at par value.

Since late 2010, Sunfonda HK has been acting as the investment holding company for the equity interests in all of our operating subsidiaries in the PRC.

As part of the offshore reorganization, Sunfonda HK became an indirect wholly owned subsidiary of our Company. Please refer to the section headed “Corporate Reorganization — Off-shore Reorganization — Acquisition of Sunfonda HK by Grand Forever” below.

On April 15, 2011, Sunfonda HK agreed to novate its liabilities and obligations under the Restructuring Loans (defined below) due to Mr. Wu and Ms. Chiu to Grand Forever in consideration of the issuance of an additional 500,000 ordinary shares to Grand Forever as part of the process of capitalizing such loan, which was completed on the same day. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below.

On June 30, 2012, Sunfonda HK agreed to novate its liabilities and obligations under certain loans due to Top Wheel to Grand Forever in consideration of the issuance of an additional 1,000 ordinary shares to Grand Forever as part of the process of capitalizing such loan, which was completed on the same day. For further details, please refer to the section headed “Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” below.

2. *Our Company*

On January 13, 2011, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. One share of US\$1 was allotted and issued to Offshore Incorporations (Cayman) Limited as the initial subscriber and then transferred to Golden Speed on the same date. On the same date, the Company allotted and issued an additional 69 shares to Golden Speed for a consideration of US\$69 and an additional 30 shares to Win Force for a consideration of US\$30. On February 21, 2011, 70 shares held by Golden Speed and 30 shares held by Win Force were transferred to Top Wheel for a consideration of US\$70 and US\$30, respectively. As a result of the Reorganization, our Company became the holding company of our various subsidiaries.

On April 15, 2011, our Company agreed to novate its liabilities and obligations under the Restructuring Loans due to Mr. Wu and Ms. Chiu to Top Wheel in consideration of the issuance of an additional 1,000 ordinary shares to Top Wheel as part of the process of capitalizing such loan, which was completed on the same day. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below.

On June 30, 2012, our Company agreed to capitalize certain shareholder’s loans due to Top Wheel by issuing an additional 43,900 shares to Top Wheel, which was completed on the same day. For further details, please refer to the section headed “Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” below.

On January 8, 2014, the authorized share capital of our Company was changed from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$50,000 divided into

OUR HISTORY AND REORGANIZATION

50,000 shares of a par value of US\$1.00 each and US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each, through the creation of an additional 1,000,000,000 Shares with a par value of US\$0.0001 each ranking pari passu in all respects with the existing Shares. On the same date, our Company issued 450,000,000 Shares with a par value of US\$0.0001 to Top Wheel. Immediately following the completion of the above steps, our Company repurchased 45,000 shares with a par value of US\$1.00 in issue from Top Wheel for a consideration of US\$45,000, which has been settled in full by the amount payable by Top Wheel for the subscription of 450,000,000 Shares with a par value of US\$0.0001. All authorized Shares of a par value of US\$1.00 each were cancelled immediately after this repurchase of shares. As a result, the authorized share capital of our Company became US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each.

In order to set up the Management Trust (details of which are set out below), on January 8, 2014, Top Wheel transferred 9,000,000 Shares in our Company to Westernrobust for nil consideration.

3. *Grand Forever*

On January 26, 2011, Grand Forever was incorporated under the laws of the BVI by our Company for acting as the intermediate holding company of our Group. One share of US\$1 was allotted and issued to our Company on the same date.

On April 15, 2011, Grand Forever agreed to novate its liabilities and obligations under the Restructuring Loans due to Mr. Wu and Ms. Chiu to our Company in consideration of the issuance of an additional 1,000 ordinary shares to our Company as part of the process of capitalizing such loan, which was completed on the same day. For further details, please refer to the section headed “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries” below.

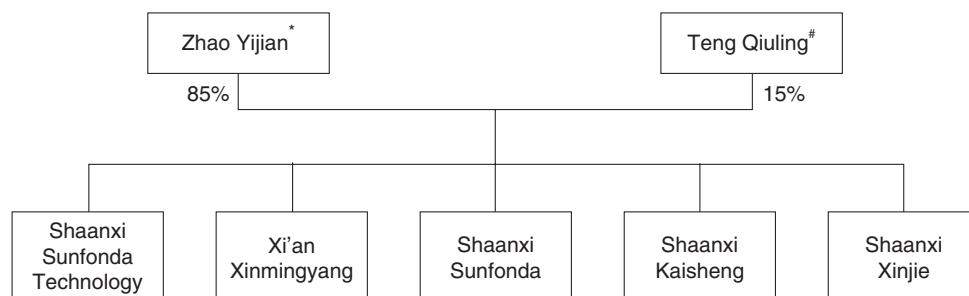
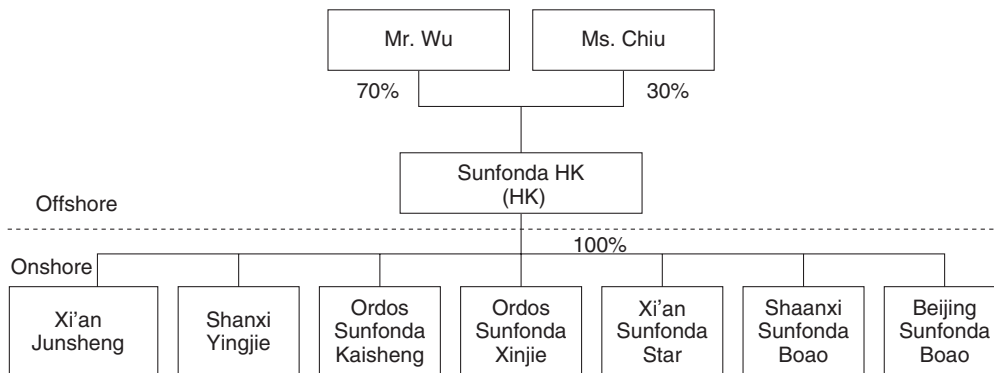
On June 30, 2012, Grand Forever agreed to novate its liabilities and obligations under certain loans due to Top Wheel to our Company in consideration of the issuance of an additional 1,000 ordinary shares to our Company as part of the process of capitalizing the loan, which was completed on the same day. For further details, please refer to the section headed “Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” below.

CORPORATE REORGANIZATION

In anticipation of the Global Offering, we initiated the Reorganization. Prior to the Reorganization, we operated seven subsidiaries (the “Seven PRC Subsidiaries”), of which the ownership was held through Sunfonda (Hong Kong) Limited (“Sunfonda HK”), an offshore holding company then owned as to 70% by Mr. Wu and as to 30% by Ms. Chiu. In addition, we operated Shaanxi Sunfonda Technology, Xi’an Xinmingyang, Shaanxi Sunfonda, Shaanxi Kaisheng and Shaanxi Xinjie (the “Five PRC Subsidiaries”), each of which were held as to 85% by Mr. Zhao (on trust for Mr. Wu) and as to 15% by Ms. Teng (on trust for Ms. Chiu).

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The following chart sets forth our ownership structure prior to the Reorganization:



* acting as the nominee of Mr. Wu under trust arrangements.

acting as the nominee of Ms. Chiu under trust arrangements.

On-shore Reorganization

(a) Acquisition of PRC subsidiaries

In 2010, we, through Sunfonda HK, acquired the Five PRC Subsidiaries.

Details of the acquisitions of the Five PRC Subsidiaries (the “Restructuring Acquisitions”) are set out below:

Name of the PRC operating subsidiary	Acquisition Agreement Date	Approval Date	Vendor/Percentage of shareholding transferred	Consideration (RMB million)
Shaanxi Sunfonda Technology	July 30, 2010	October 28, 2010	<ul style="list-style-type: none"> Mr. Zhao (85%) Ms. Teng (15%) 	8.50 1.50
Xi'an Xinmingyang	October 8, 2010	December 16, 2010	<ul style="list-style-type: none"> Mr. Zhao (85%) Ms. Teng (15%) 	12.92 2.28
Shaanxi Sunfonda	October 8, 2010	December 16, 2010	<ul style="list-style-type: none"> Mr. Zhao (85%) Ms. Teng (15%) 	45.10 7.96
Shaanxi Kaisheng	October 8, 2010	December 16, 2010	<ul style="list-style-type: none"> Mr. Zhao (85%) Ms. Teng (15%) 	4.59 0.81
Shaanxi Xinjie	October 8, 2010	December 16, 2010	<ul style="list-style-type: none"> Mr. Zhao (85%) Ms. Teng (15%) 	18.61 3.28

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The consideration for the Restructuring Acquisitions was determined on the basis of arm's length negotiations, taking into account the valuation reports issued by Xi'an Jianhua Assets Valuation Co. Ltd. (西安建華資產評估有限責任公司), an Independent Third Party. The consideration above has been fully paid by Sunfonda HK, which was sourced through a shareholders' loan of HK\$125,621,500 (equivalent to approximately RMB105.55 million) provided by our Founders (the "Restructuring Loans"). On April 15, 2011, the Founders, Golden Speed, Win Force and the relevant Group companies entered into an agreement in respect of the novation of the liabilities and obligations of Sunfonda HK in respect of the Restructuring Loans to Top Wheel and the rights of the Founders under the Restructuring Loans to Golden Speed and Win Force. On April 15, 2011, Top Wheel issued 13,930 and 5,970 ordinary shares to Golden Speed and Win Force, respectively, as consideration for the capitalization of the novated Restructuring Loans. Subsequent to such novation, neither Sunfonda HK nor any members of our Group have assumed any rights or obligations under the Restructuring Loans.

Upon completion of the above acquisitions, each of the Five PRC Subsidiaries became a wholly owned subsidiary of Sunfonda HK.

To further streamline our corporate structure, Sunfonda HK transferred the entire equity interest in the following 14 subsidiaries to Shaanxi Sunfonda Technology in 2013, the details of which are set out below:

Name of the PRC operating subsidiary	Transfer Agreement Date	Approval Date	Vendor/Percentage of shareholding transferred	Consideration
Shaanxi Sunfonda	March 5, 2013	June 3, 2013	Sunfonda HK (100%)	Nil
Shaanxi Sunfonda Bentley . . .	March 5, 2013	June 3, 2013	Sunfonda HK (100%)	Nil
Shaanxi Kaisheng	March 5, 2013	June 3, 2013	Sunfonda HK (100%)	Nil
Shaanxi Xinjie	March 5, 2013	June 3, 2013	Sunfonda HK (100%)	Nil
Shaanxi Sunfonda Boao	March 5, 2013	June 3, 2013	Sunfonda HK (100%)	Nil
Yulin Sunfonda Meidong	March 5, 2013	July 18, 2013	Sunfonda HK (100%)	Nil
Xi'an Junsheng	May 30, 2013	June 21, 2013	Sunfonda HK (100%)	Nil
Xi'an Xinmingyang	May 30, 2013	June 21, 2013	Sunfonda HK (100%)	Nil
Yulin Sunfonda Kaisheng	May 30, 2013	July 18, 2013	Sunfonda HK (100%)	Nil
Yan'an Sunfonda Boao	May 30, 2013	July 11, 2013	Sunfonda HK (100%)	Nil
Shanxi Yingjie	June 16, 2013	July 24, 2013	Sunfonda HK (100%)	Nil
Ordos Sunfonda Kaisheng . . .	June 16, 2013	July 31, 2013	Sunfonda HK (100%)	Nil
Lanzhou Sunfonda	June 16, 2013	July 31, 2013	Sunfonda HK (100%)	Nil
Ordos Sunfonda Xinjie	June 16, 2013	July 31, 2013	Sunfonda HK (100%)	Nil

Upon completions of the above transactions, each of the 14 subsidiaries became a wholly owned subsidiary of Shaanxi Sunfonda Technology.

Yangzhou Sunfonda was previously one of our wholly-owned subsidiaries and had commenced its construction and the operation of a dealership store without obtaining the relevant approval from the NDRC of the Yangzhou municipal government because it had not completed the bidding process for the land on which the relevant outlet is located and obtained the relevant land title documents, which are pre-requisites for NDRC approval. To enable Yangzhou Sunfonda address its non-compliance issues without affecting our Group, we

OUR HISTORY AND REORGANIZATION

transferred the entire equity interest in Yangzhou Sunfonda to Mr. Zhao for a consideration of US\$5 million, which was determined based on the registered capital of Yangzhou Sunfonda, pursuant to an equity transfer agreement entered into in June 2013. Following the completion of the equity transfer, none of our Company nor the Controlling Shareholders has any ability to directly or indirectly control or influence Yangzhou Sunfonda by way of agreement or other arrangement with Mr. Zhao, and no directors or senior management of our Group are involved in the operation and management of Yangzhou Sunfonda. We recorded revenue from Yangzhou Sunfonda amounting to nil, RMB159.4 million and RMB91.6 million for the three years ended December 31, 2013, representing nil, 2.2% and 1.2% of our total revenue for the relevant period, respectively. During the same periods, we recorded net losses of RMB0.6 million, RMB3.0 million and RMB2.0 million from Yangzhou Sunfonda, respectively.

(b) Establishment of PRC subsidiaries

We established an additional 18 wholly owned subsidiaries and two non-wholly owned subsidiaries in the PRC after the Restructuring Acquisitions, the details of which have been disclosed under the section headed “Our Group Members — Operating entities” above.

King & Wood Mallesons, our PRC legal advisors, advised that as Mr. Wu and Ms. Chiu became Hong Kong residents in 1993 and 1996 respectively, which were before the effective date of the M&A Rules, the above onshore reorganization of our Group does not fall within the scope of activities regulated by the M&A Rules.

Off-shore Reorganization

(a) Incorporation of our Company

On January 13, 2011, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorized share capital of US\$50,000. One share of US\$1 was allotted and issued to Offshore Incorporations (Cayman) Limited as the initial subscriber and was then transferred to Golden Speed. Our Company allotted and issued an additional 69 shares to Golden Speed for a consideration of US\$69 and an additional 30 shares to Win Force for a consideration of US\$30 on the same day.

In preparation for the Pre-IPO Investment, which is more particularly disclosed in the section headed “Pre-IPO Investment” below, on February 21, 2011, 70 shares of par value of US\$1.0 each held by Golden Speed and 30 shares of par value of US\$1.0 each held by Win Force were transferred to Top Wheel for a consideration of US\$70 and US\$30, respectively.

(b) Incorporation of Grand Forever

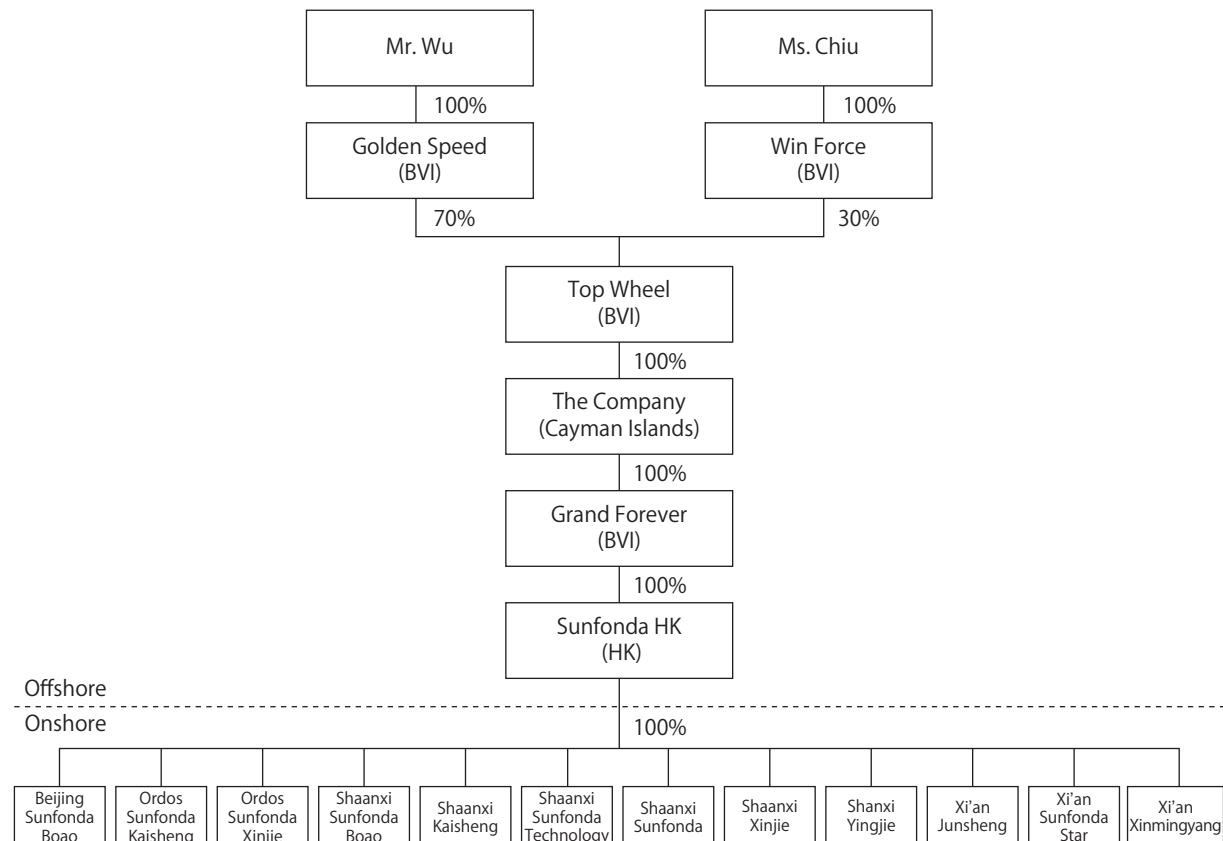
On January 26, 2011, Grand Forever was incorporated under the laws of the BVI with an authorized share capital of US\$50,000 by our Company for acting as the intermediate holding company of our Group. One share of US\$1 was allotted and issued to our Company on the same date.

OUR HISTORY AND REORGANIZATION

(c) Acquisition of Sunfonda HK by Grand Forever

On March 17, 2011, 700,000 shares of HK\$1 each held by Mr. Wu and 300,000 shares of HK\$1 each held by Ms. Chiu in Sunfonda HK were transferred to Grand Forever, a subsidiary of our Company, for a consideration of HK\$700,000 and HK\$300,000, respectively.

The following chart sets forth our ownership structure immediately after the Reorganization and prior to the Pre-IPO Investment:



PRE-IPO INVESTMENT

Investment by Standard Chartered Private Equity

On April 10, 2011, Mr. Wu and Ms. Chiu, our Founders, together with their direct and indirect wholly owned subsidiaries, namely, Golden Speed, Win Force and Top Wheel, entered into, among others, a share subscription agreement (the “Share Subscription Agreement”) and a shareholders agreement (the “Shareholders Agreement”) (collectively the “Pre-IPO Investment Agreements”) with Standard Chartered Private Equity (the “Pre-IPO Investment”). Pursuant to the Pre-IPO Investment Agreements, Standard Chartered Private Equity agreed to subscribe for, and Top Wheel agreed to issue and allot to Standard Chartered Private Equity, 5,000 Series A preferred shares of Top Wheel (the “Series A Preferred Shares”) for the subscription price of approximately US\$34.37 million, representing 20% of Top Wheel’s allotted and issued share

OUR HISTORY AND REORGANIZATION

capital as then enlarged on a fully-diluted and as-converted basis. The Pre-IPO Investment was made based on a post-investment valuation of our Company of RMB1,125 million. The said basis was set by the Founders with reference to the net profit after tax, earnings and growth prospect of our Group at the time of the Pre-IPO Investment and was agreed by Standard Chartered Private Equity after arm's-length negotiations. On April 21, 2011, the subscription of 5,000 Series A Preferred Shares by Standard Chartered Private Equity was completed with an initial payment of US\$30.937 million by Standard Chartered Private Equity. On December 13, 2011, the remaining US\$3.437 million was paid up by Standard Chartered Private Equity. Standard Chartered Private Equity has confirmed that there was no event which triggered the adjustment of subscription price and does not expect any adjustment of subscription price in the future. The Pre-IPO Investment of approximately US\$34.37 million by Standard Chartered Private Equity was irrevocably settled and received by Top Wheel on December 13, 2011.

Subsequent to such Pre-IPO Investment, Top Wheel was owned as to 56% by Golden Speed and 24% by Win Force (each holding ordinary shares) and 20% by Standard Chartered Private Equity (holding series A preferred shares).

As part of the above subscription, Top Wheel also agreed to issue to Standard Chartered Private Equity a warrant (the "Warrant") to subscribe for additional Series A preferred shares of Top Wheel for an aggregate subscription price of US\$20 million at a price per share to be further agreed in writing by our Company and Standard Chartered Private Equity at any time after the date of the Pre-IPO Investment Agreements but before the date of the occurrence of a Qualified IPO as defined in the paragraph headed "Principal Terms of the Pre-IPO Investment Agreements and the Deed" below.

On May 31, 2012, all parties to the Share Subscription Agreement, together with our Company and Standard Chartered Private Equity entered into a deed of amendment to the Share Subscription Agreement (the "Deed"), pursuant to which, amongst others, (i) the grant of the Warrant shall be cancelled in its entirety without any compensation with effect from the date of the Deed, provided that, if a Qualified IPO by our Company has not occurred on or before June 30, 2013 (the "Date of Qualified IPO"), the parties to the Deed (other than our Company) shall enter into an agreement under which Top Wheel shall grant to Standard Chartered Private Equity new warrants on terms substantially similar to the Warrant in the Share Subscription Agreement within ten business days after June 30, 2013, (ii) the pre-offering valuation of our Group was amended to not less than RMB2,500 million; and (iii) the net cash proceeds to our Group (before deduction of underwriters' commissions and expenses) were amended to not less than RMB670 million, both (ii) and (iii) for the purpose of the Qualified IPO.

A supplemental deed (the "Supplemental Deed") was entered into among all parties to the Deed on December 12, 2013 to defer the Date of Qualified IPO to September 30, 2014. A second supplemental deed (the "Second Supplemental Deed") was entered into among all parties to the Deed on February 24, 2014 to amend (i) the pre-offering valuation of our Group to not less than US\$180 million; and (ii) the net cash proceeds to our Group (before deduction of underwriters' commissions and expenses) of not less than US\$60 million for the purpose of the Qualified IPO. As advised by a Hong Kong law firm, neither the Supplemental Deed nor the Second Supplemental Deed constitutes a new agreement under the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on October 13, 2010 (and updated on January 16, 2012) because (a) all terms in the Deed remained unchanged save for the change in the Date of Qualified IPO in the Supplemental Deed and the change in the criteria for the Qualified IPO in the Second Supplemental Deed; and (b) no consideration has been attributed to the Supplemental Deed.

OUR HISTORY AND REORGANIZATION

Pursuant to the Pre-IPO Investment Agreements, 90% of the proceeds of the issuance of the Series A Preferred Shares must be used by our Company to:

- expand the outlet network of our Group, by way of establishment of outlets and acquisition of outlets (other than the acquisition of outlets as part of the Restructuring Acquisitions); and
- support the operations of the existing outlets of our Group as of the date of the Pre-IPO Investment Agreements.

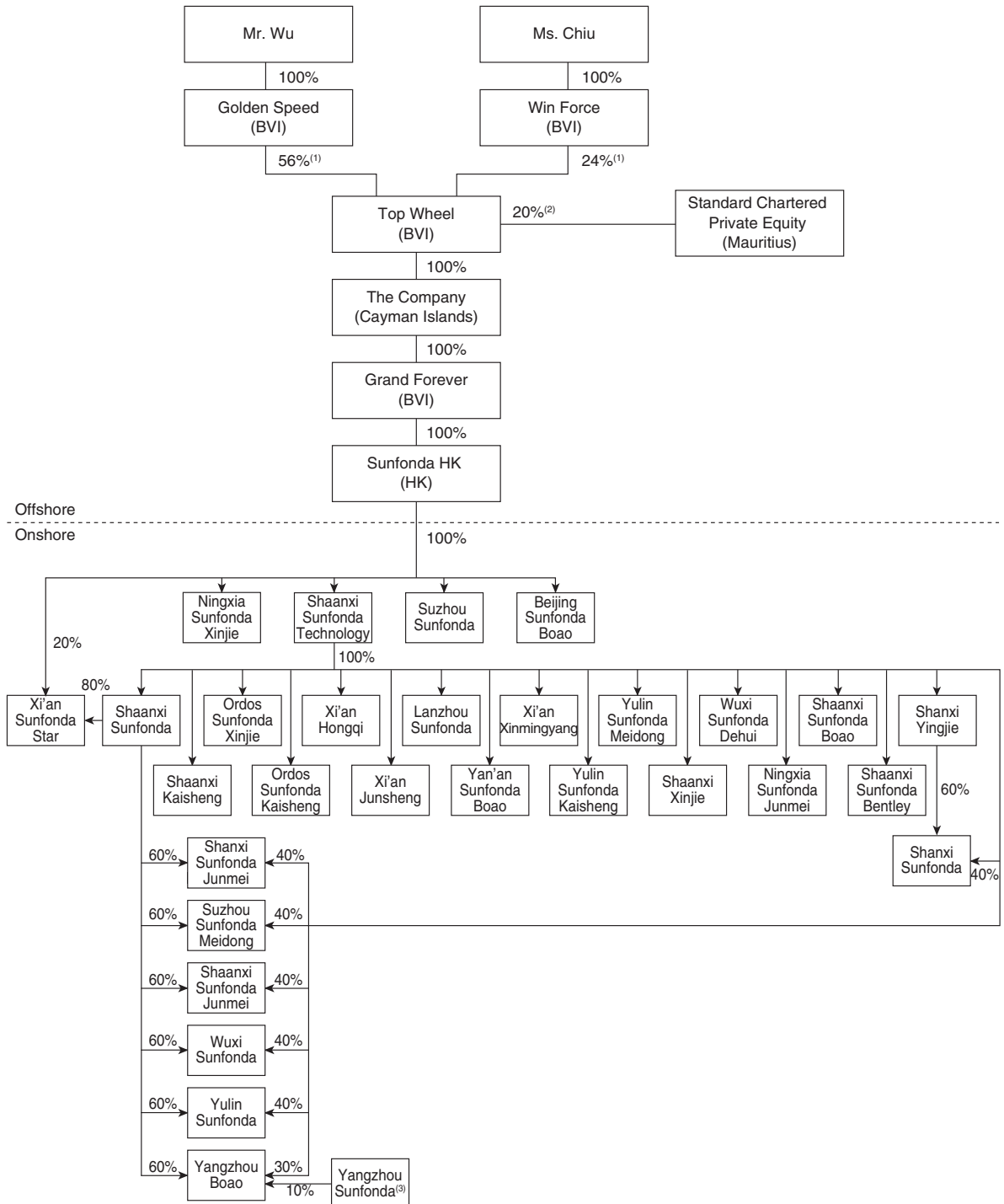
As at the Latest Practicable Date, the proceeds have been applied and utilized in line with the above manner. And the remaining 10% of the proceeds of the issuance of the Series A Preferred Shares shall be used for purposes as mutually agreed between our Company and Standard Chartered Private Equity. For further details and terms of our Pre-IPO Investment, please refer to the paragraph headed “Principal Terms of the Pre-IPO Investment Agreements and the Deed” below.

The Pre-IPO Investment by Standard Chartered Private Equity provided funds to the operation and development of our Group and supported our continuing expansion. As an internationally reputable institution, Standard Chartered Private Equity also expanded our shareholding base and brought advanced management experience and principles to our Group. We believe that the Pre-IPO Investment by Standard Chartered Private Equity will be beneficial to our Group in the long-term.

The following chart sets out the offshore shareholding structure and onshore subsidiaries structure of our Group immediately following the completion of the Pre-IPO Investment, the establishment of our 16 wholly owned subsidiaries and one non-wholly owned subsidiary in the PRC as disclosed in “Corporate Reorganization — On-shore Reorganization — Establishment of PRC subsidiaries” of this section and the reorganization of our onshore subsidiaries as

OUR HISTORY AND REORGANIZATION

disclosed in “Corporate Reorganization — On-shore Reorganization — Acquisition of PRC subsidiaries”.



Notes:

- (1) shares in Top Wheel held by Golden Speed and Win Force are ordinary shares.
- (2) shares in Top Wheel held by Standard Chartered Private Equity are preferred shares.
- (3) Yangzhou Sunfonda is wholly owned by Mr. Zhao, Ms. Chiu's brother and Mr. Wu's brother-in-law.

OUR HISTORY AND REORGANIZATION

Principal Terms of the Pre-IPO Investment Agreements, the Deed, the Supplemental Deed and the Second Supplemental Deed

According to the Pre-IPO Investment Agreements, the Deed, the Supplemental Deed and the Second Supplemental Deed, Standard Chartered Private Equity has, among others, the following rights and obligations under the Pre-IPO Investment.

Conversion Right: *Optional Conversion* — At any time before the occurrence of a Qualified IPO, Standard Chartered Private Equity shall have the right, at its option, to convert all or part of its Series A Preferred Shares into ordinary shares of Top Wheel.

Automatic Conversion of Series A Preferred Shares into Ordinary Shares of Top Wheel upon a Qualified IPO — Without any action being required by Standard Chartered Private Equity, the Series A Preferred Shares are automatically converted, without the payment of any additional consideration, into the ordinary shares of Top Wheel immediately preceding the occurrence of a Qualified IPO.

The conversion above will be based on the then applicable conversion price subject to adjustments upon the occurrence of certain events such as dividend payment by Top Wheel, issuance of further shares in the capital of Top Wheel, consolidation or sub-division of the ordinary shares of Top Wheel, and reclassification or alteration of the share capital of Top Wheel (the “Conversion Price Adjustment”). Such converted shares of Top Wheel will then be exchanged for our Shares immediately upon completion of the Global Offering, the details of which are set out in the paragraph headed “Pre-Listing Share Swap” below.

For the purpose of the Pre-IPO Investment Agreements, the Deed, the Supplemental Deed and the Second Supplemental Deed, a “Qualified IPO” is an initial public offering by our Company of its Shares on the Hong Kong Stock Exchange or any other internationally recognized stock exchange mutually acceptable to the parties to the Pre-IPO Investment Agreements which is underwritten by an internationally reputable investment bank, in any case with (i) a pre-offering valuation of our Group of not less than US\$180 million; and (ii) net cash proceeds to our Group (before deduction of underwriters’ commissions and expenses) of not less than US\$60 million, both (i) and (ii) calculated based on the lower end of the price range of the Shares offered pursuant to such initial public offering as set out in the final version of this prospectus prepared prior to the bulk printing of the prospectus for the Hong Kong public offering or otherwise an initial public offering (as applicable).

Standard Chartered Private Equity has confirmed that no event triggering the Conversion Price Adjustment under the Pre-IPO Investment Agreements had occurred as at the Latest Practicable Date and therefore no adjustments have been or otherwise are expected to be made.

OUR HISTORY AND REORGANIZATION

Based on an Offer Price of HK\$3.61, the Global Offering is expected to constitute a Qualified IPO for the purpose of the Pre-IPO Investment.

Veto Rights:

Pursuant to the Deed, Standard Chartered Private Equity shall have the option to waive its veto rights against an initial public offering which does not constitute a Qualified IPO. In case Standard Chartered Private Equity decides to waive its veto rights and gives written approval on an initial public offering which does not constitute a Qualified IPO, such initial public offering shall be deemed a Qualified IPO for the purpose of the Pre-IPO Investment Agreements, the Deed, the Supplemental Deed and the Second Supplemental Deed.

Transfer Restrictions:

Golden Speed and Win Force may not sell, assign, transfer, create any encumbrances with respect to or dispose of any shares of Top Wheel, or enter into agreement or undertake to do the same to any person which is not a party to the Shareholders Agreement unless such person has executed a deed of adherence confirming that it will be bound by the Shareholders Agreement as a shareholder.

The Founders, Golden Speed and Win Force may not, prior to a Qualified IPO, directly or indirectly transfer shares of Top Wheel held by him, her or it unless first complying with the right of first refusal and tag-along rights of Standard Chartered Private Equity or otherwise approved in writing by Standard Chartered Private Equity. Such restriction does not apply where the Founders, Golden Speed and Win Force transfer shares to their immediate family members and third parties under certain conditions.

Standard Chartered Private Equity may not transfer any shares of Top Wheel held by it prior to the earlier of (i) the third anniversary after completion of the Pre-IPO Investment, which is April 21, 2014; or (ii) the date of the Qualified IPO, unless agreed by the Founders, Golden Speed and Win Force, or Top Wheel fails to fulfill some of its obligation under the Share Subscription Agreement. Standard Chartered Private Equity has agreed that, without the prior written consent of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any of the Shares to be held by Standard Chartered Private Equity upon completion of the Global Offering (the “Relevant Shares”), nor shall it agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares.

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Right of First Refusal
and Tag-along Right:

Prior to a Qualified IPO, if any of the Founders, Golden Speed and Win Force proposes to make a permitted transfer of shares of Top Wheel to third parties, Standard Chartered Private Equity has the options to purchase such number of the transferred shares determined by multiplying (i) the total number of the transferred shares, by (ii) a fraction, the numerator of which is the number of shares of Top Wheel held by Standard Chartered Private Equity (on a fully-diluted and as-converted basis), and the denominator of which is the aggregate number of shares of Top Wheel held by all shareholders (on a fully-diluted and as-converted basis) at the same price and upon terms and conditions no less favorable than those agreed between the transferor and the third-party transferee.

If any transferor is permitted to transfer any share of Top Wheel to any person other than Standard Chartered Private Equity, Standard Chartered Private Equity has the option to participate in such sale of shares at the same price and upon terms and conditions which are no less favorable than those agreed between the transferor and the third-party transferee, up to the number of the shares determined by multiplying (i) the total number of the transferred shares, by (ii) a fraction, the numerator of which is the number of the shares of Top Wheel held by Standard Chartered Private Equity (on a fully-diluted and as-converted basis), and the denominator of which is the aggregate of the number of the shares of Top Wheel held by the transferring Founder and Standard Chartered Private Equity (on a fully-diluted and as-converted basis) immediately before the transfer, provided that if as a result of the proposed transfer, the Founders, Golden Speed and Win Force would hold less than 51 percent of the total issued share capital of Top Wheel, Standard Chartered Private Equity may elect to sell up to all of the shares then held by Standard Chartered Private Equity.

Dividends:

The holders of the Series A Preferred Shares shall be entitled to receive dividends out of the profits of Top Wheel available for distribution with the amount equal to the profits that would be available for declaration and payment on the ordinary shares of Top Wheel on an as-converted basis (based on the then applicable conversion price) as and when declared by the board of Top Wheel. Such dividends shall accrue from day to day as and when declared by the board of Top Wheel. Such dividends shall not include the amount that accrue prior to the completion date of the Pre-IPO Investment, which is April 21, 2011, and the dividends shall be declared and paid pro rata on an as-converted basis.

The right of the holders of the Series A Preferred Shares to receive such dividends shall rank senior, prior and in preference to the dividend rights of the holders of ordinary shares and any other class of shares in Top Wheel.

OUR HISTORY AND REORGANIZATION

Redemption Rights: In the event that (i) the Founders, Golden Speed, Win Force and Top Wheel are in material breach of the Pre-IPO Investment Agreements; (ii) any material dealership authorization agreements of our Group which individually or in the aggregate, contributes to twenty-five percent (25%) or more of the consolidated turnover of our Group as indicated in the audited consolidated financial statements of our Group for 2010 are terminated or expired, or (iii) a Qualified IPO does not occur on or before the third anniversary of the completion date of the Pre-IPO Investment, which is April 21, 2014, the holders of a majority of the Series A Preferred Shares shall have the right (but not the obligation) to require Top Wheel to redeem all or part of the Series A Preferred Shares then outstanding.

Standard Chartered Private Equity has confirmed that, no event triggering the redemption rights under the Pre-IPO Investment Agreements had occurred as at the Latest Practicable Date and therefore no redemption has been or otherwise is expected to be made.

Anti-dilution: Each of the Founders, Golden Speed, Win Force and Top Wheel jointly and severally undertakes to Standard Chartered Private Equity that if Top Wheel and/or the Founders, Golden Speed and Win Force intend to capitalize all or part of any outstanding loans or debts owed by Sunfonda HK to the Founders, Golden Speed and Win Force as permitted by Standard Chartered Private Equity, such capitalization shall not dilute the shareholding of Standard Chartered Private Equity in Top Wheel.

Consent Matters: The Founders, Golden Speed and Win Force have provided covenants not to take certain actions without the prior consent of Standard Chartered Private Equity prior to a Qualified IPO. These matters include, among others:

- any amendment of the memorandum and articles of association of Top Wheel or other constitutional document of any company within our Group at the time of entering into the Pre-IPO Investment Agreements (a "Group Company");
- any amendment or change of the rights, preferences, number, privileges or powers of, or the restrictions provided for the benefit of, the Series A Preferred Shares (including any change in the number of ordinary shares of Top Wheel issuable upon the conversion of the Series A Preferred Shares);
- any increase or decrease of the issued share capital or registered capital of any Group Company or the issue of options or other securities convertible or exchangeable for the share capital or registered capital of any Group Company;

OUR HISTORY AND REORGANIZATION

- any declaration or payment of any dividends or other distributions by any Group Company;
- any approval or amendment to the annual budget, business plan and development strategy for our Group;
- any change in the composition (i.e. the total number of the members of and/or the number of directors that a shareholder of Top Wheel is entitled to appoint to the board of directors thereof) of the board of directors of any Group Company or any committee thereof;
- any material changes to the employment contracts of the managers of any Group Company, including, without limitation, the increase in compensation of any employees of a Group Company whose annual compensation exceeds RMB700,000 in the previous 12 months by more than twenty percent (20%) in any 12-month period.

Under the Pre-IPO Investment Agreements, Standard Chartered Private Equity has also been granted various rights such as pre-emption rights, board representation rights, and information rights. All of the rights granted to Standard Chartered Private Equity will expire immediately upon the occurrence of a Qualified IPO. Standard Chartered Private Equity is expected to hold 90,000,000 Shares upon completion of the Global Offering, representing 15% (assuming the Over-allotment Option is not exercised) and approximately 14.5% (assuming the Over-allotment Option is exercised in full) of the issued share capital of our Company immediately following completion of the Global Offering. Based on the investment of approximately US\$34.37 million and the 90,000,000 Shares expected to be held by Standard Chartered Private Equity upon completion of the Global Offering, the cost per Share paid by Standard Chartered Private Equity is approximately HK\$2.96, representing a discount of approximately 18.0% to the Offer Price of HK\$3.61 per Offer Share. The Shares to be held by Standard Chartered Private Equity upon a Qualified IPO will not be considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Description of Standard Chartered Private Equity

Standard Chartered Private Equity is a company incorporated with limited liability in Mauritius on September 6, 2005. It is an indirect wholly-owned subsidiary of Standard Chartered PLC, a bank listed on the stock exchanges of London, Hong Kong and Mumbai, which ranks among the top 20 companies by FTSE 100 Index in terms of market capitalization. Standard Chartered Private Equity is an investment entity in the Standard Chartered PLC group, and it provides professional shareholding partnerships to companies that require equity funding for expansion. Standard Chartered Private Equity currently has approximately US\$700 million in capital under management, investing from US\$10 million to over US\$50 million in a single transaction, ranging from varieties of industries in India, China, South Africa and Korea. Save for its investment in our Company and Top Wheel, neither Standard Chartered Private Equity nor any of its affiliated members is a connected person of our Group or otherwise connected to any of our Controlling Shareholders.

OUR HISTORY AND REORGANIZATION

Novation and capitalization of Top Wheel's loans

After completion of the Pre-IPO Investment disclosed above, Top Wheel provided non-interest bearing loans in the amount of US\$30.92 million to our Company in May 2011 (the "First Loan") and US\$3.3 million to Sunfonda HK in January 2012 (the "Second Loan"), respectively. On June 30, 2012, Top Wheel, our Company, Grand Forever and Sunfonda HK entered into a novation and loan capitalization agreement, pursuant to which (i) the liabilities and obligations of Sunfonda HK in respect of the Second Loan were novated to Grand Forever in consideration of Sunfonda HK issuing 1,000 new ordinary shares to Grand Forever; (ii) thereafter, the liabilities and obligations of Grand Forever in respect of the Second Loan were novated to our Company in consideration of Grand Forever issuing 1,000 new ordinary shares to our Company; and (iii) thereafter, the liabilities and obligations of our Company in respect of the First Loan and the Second Loan were discharged in full by way of capitalization of the same through the issuance of 43,900 shares by the Company to Top Wheel. The obligations of the relevant parties under the novation and loan capitalization agreement were completed on the same day.

MANAGEMENT TRUST AND PRE-IPO SHARE AWARD SCHEME

Establishment of the Management Trust

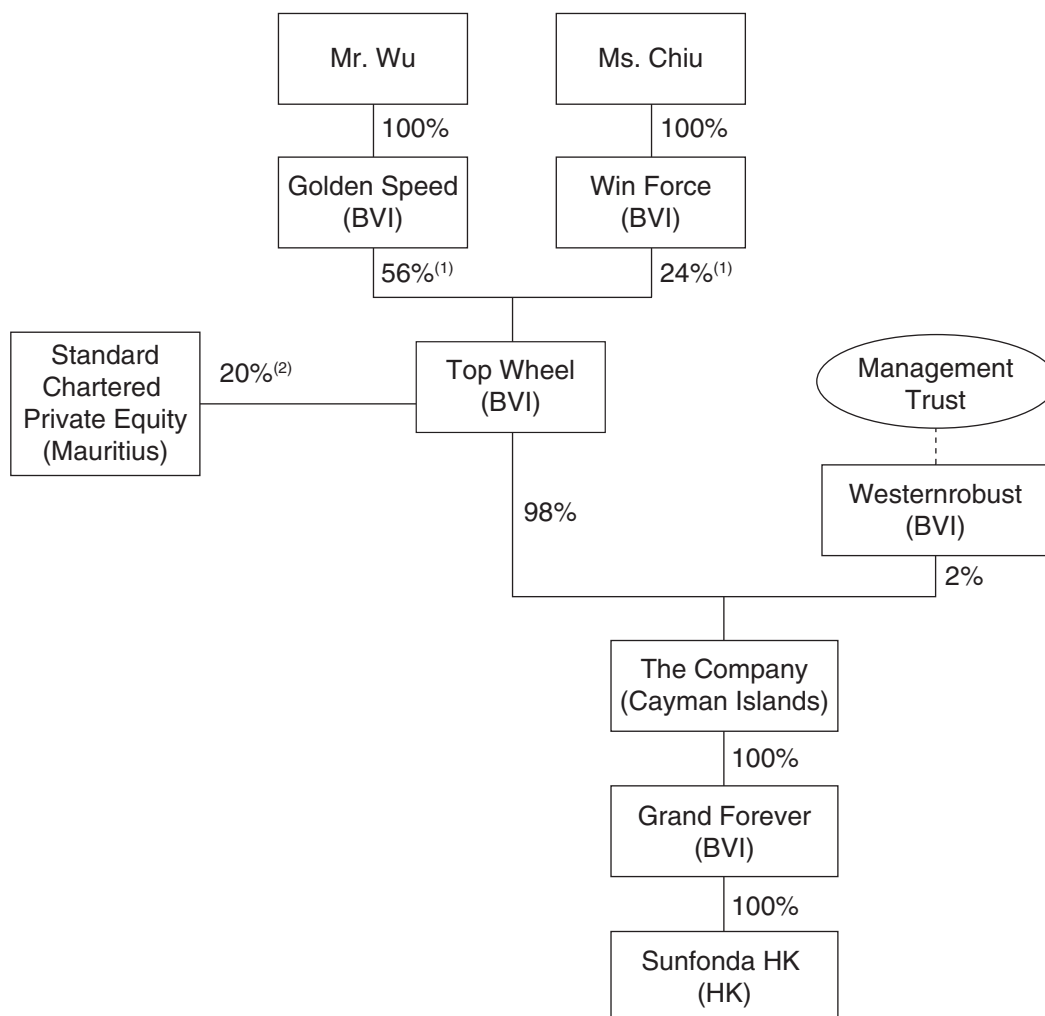
On January 8, 2014, Top Wheel, as the settlor, established the Management Trust, which is a revocable discretionary trust with Cantrust (Far East) Limited as the trustee, for the purposes of recognizing and rewarding the contributions of the selected employees of our Group and motivating their contribution to the future development of our Group.

On January 8, 2014, the Management Trust was established with Cantrust (Far East) Limited acting as the trustee thereof. On the same date, Top Wheel transferred, for nil consideration, 9,000,000 Shares in our Company, representing 2% of the issued share capital of our Company at the time of the transfer, to Westernrobust, a special purpose vehicle wholly owned by Cantrust (Far East) Limited for holding the relevant Shares under the Pre-IPO Share Award Scheme pursuant to the Management Trust. The beneficiaries of the Management Trust under the Pre-IPO Share Award Scheme might be one or more employees of our Group. No further Shares will be transferred by Top Wheel and no new Shares will be issued by our Company for the purpose of the Pre-IPO Share Award Scheme thereafter.

The Management Trust is governed by the laws of the BVI and the provisions of the Management Trust are subject to, and enforceable under, the laws of the BVI.

OUR HISTORY AND REORGANIZATION

Our offshore shareholding structure immediately after the establishment of the Management Trust is set out below:



Notes:

(1) shares in Top Wheel held by Golden Speed and Win Force are ordinary shares.

(2) shares in Top Wheel held by Standard Chartered Private Equity are preferred shares.

OUR HISTORY AND REORGANIZATION

Pre-IPO Share Award Scheme

In recognition of the contributions of certain employees of our Group and to incentivize them for their future contribution, we adopted a Pre-IPO Share Award Scheme on January 8, 2014. 0.5% out of the 2% of the Shares immediately before completion of the Global Offering under the Management Trust will be awarded to selected employees of our Group pursuant to the terms of the Pre-IPO Share Award Scheme prior to the Listing while the remaining 1.5% of the Shares immediately before completion of the Global Offering will be awarded to employees of our Group after the Listing.

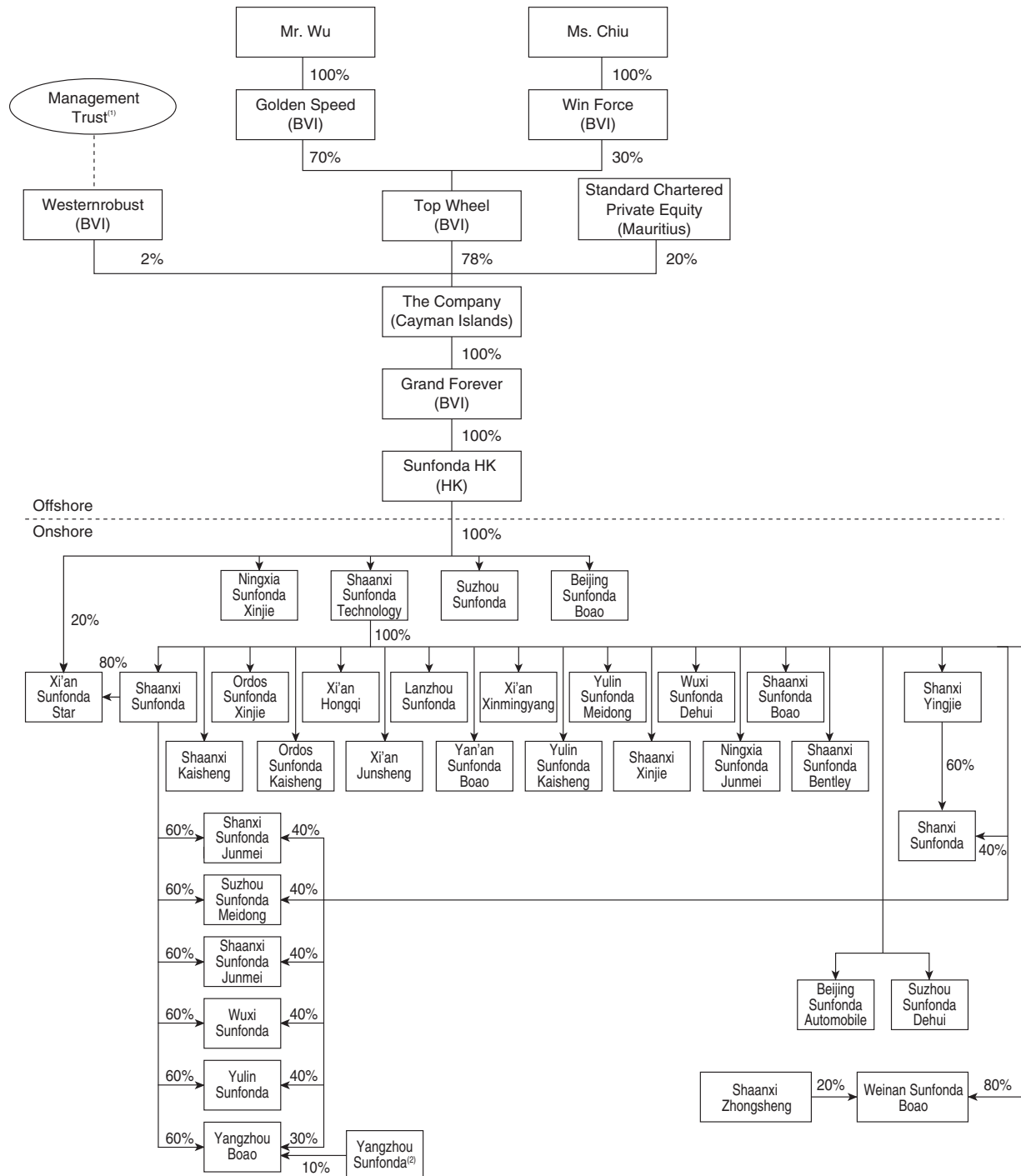
Our PRC legal advisors, King & Wood Mallesons, has advised us that we and our PRC resident employees participating in our Pre-IPO Share Award Scheme might be subject to the stock option related PRC laws, regulations and rules, and failure to comply with such rules might subject us or our PRC resident employees participating in our Pre-IPO Share Award Scheme to fines and other legal or administrative sanctions and impose restrictions on the execution of our Pre-IPO Share Award Scheme.

PRE-LISTING SHARE SWAP

In anticipation of and for the purpose of the Listing, Top Wheel will, immediately prior to the completion of our Global Offering, repurchase all of its shares converted from the Series A Preferred Shares held by Standard Chartered Private Equity, and as consideration for such repurchase, transfer 90,000,000 Shares it holds in our Company to Standard Chartered Private Equity. Immediately upon completion of the above share swap, Standard Chartered Private Equity will cease to be a shareholder of Top Wheel and will hold 90,000,000 Shares in our Company, representing 20% of our total issued share capital immediately prior to completion of

OUR HISTORY AND REORGANIZATION

the Global Offering. Set forth below is our corporate structure immediately after the completion of the pre-listing share swap as described above and prior to the Global Offering:



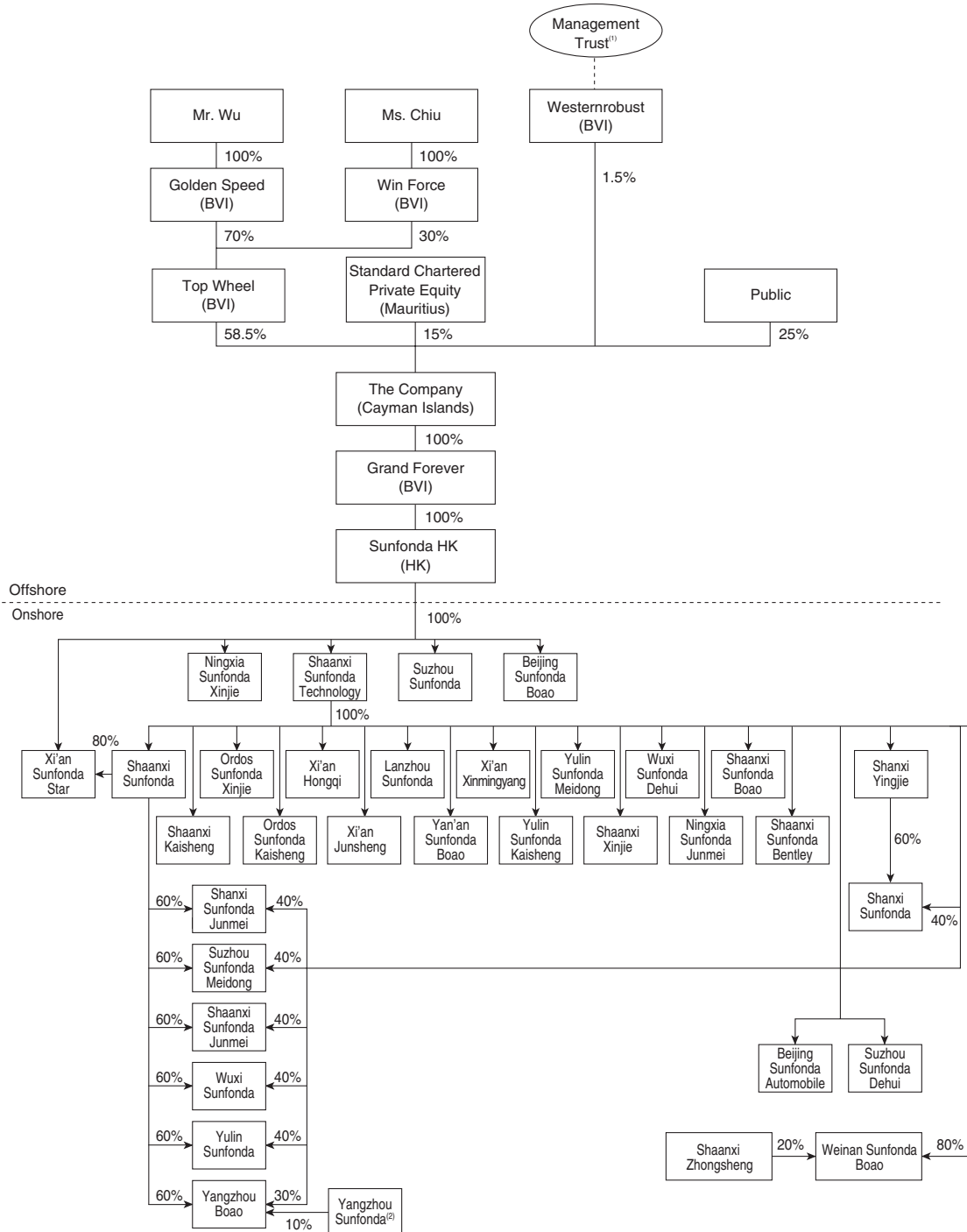
Notes:

- (1) The Management Trust is a revocable discretionary trust established by Top Wheel as the settlor, with Cantrust (Far East) Limited as the trustee, for the purposes of recognizing and rewarding the contributions of selected employees of our Group. See "Management Trust and Pre-IPO Share Award Scheme" above.
- (2) Yangzhou Sunfonda is wholly owned by Mr. Zhao, Ms. Chiu's brother and Mr. Wu's brother-in-law.

OUR HISTORY AND REORGANIZATION

OUR STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

Set forth below is our corporate structure upon completion of the Global Offering, assuming the Over-allotment Option has not been exercised.



Notes:

- (1) The Management Trust is a revocable discretionary trust established by Top Wheel as the settlor, with Cantrust (Far East) Limited as the trustee, for the purposes of recognizing and rewarding the contributions of selected employees of our Group. See "Management Trust and Pre-IPO Share Award Scheme" above.
- (2) Yangzhou Sunfonda is wholly owned by Mr. Zhao, Ms. Chiu's brother and Mr. Wu's brother-in-law.

OUR BUSINESS

OVERVIEW

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR. In addition, we were the largest automobile dealership group in Xi'an City and Shaanxi Province in terms of revenue in 2012, according to ACMR.

According to ACMR, Xi'an City was the largest city in Shaanxi Province in terms of GDP in 2013, accounting for approximately 30.4% of the total GDP of Shaanxi Province in 2013, compared to Yulin, which was the second largest city in Shaanxi Province in terms of GDP in 2013 and accounted for 17.7% of the total GDP of Shaanxi Province in 2013. In addition, according to ACMR, Xi'an City was the largest automobile market in Shaanxi Province in terms of new automobile plate registration volume in 2012, which accounted for 50.9% of the total new automobile plate registration volume of Shaanxi Province in 2012, compared to Yulin, which was the second largest city in Shaanxi Province in terms of new automobile plate registration volume in 2012 and accounted for 16.8% of the total new automobile plate registration volume of Shaanxi Province in 2012. According to ACMR, Shaanxi Province was the largest province in Northwestern China in terms of GDP in 2013, accounting for 45.1% of the total GDP of Northwestern China in 2013, compared to Xinjiang, which was the second largest provincial region in Northwestern China in terms of GDP in 2013 and accounted for 23.9% of the total GDP of Northwestern China in 2013. In addition, according to ACMR, Shaanxi Province was the largest automobile market in Northwestern China in terms of new automobile plate registration volume in 2012, which accounted for 43.6% of the total new automobile plate registration volume of Northwestern China in 2012, compared to Xinjiang, which was the second largest market in Northwestern China in terms of new automobile plate registration volume in 2012 and accounted for 23.0% of the total new automobile plate registration volume of Northwestern China in 2012.

As of the Latest Practicable Date, we had 26 outlets in operation, including 17 4S dealership stores, eight showrooms and one service center, and 15 out of our 26 outlets in operation were located in Xi'an in Shaanxi Province and contributed approximately 74.8% to our total revenue for 2013. As of the Latest Practicable Date, our remaining 11 outlets located in Yan'an in Shaanxi Province, Lanzhou in Gansu Province, Yinchuan in Ningxia, Taiyuan in Shanxi Province, Ordos in Inner Mongolia and Wuxi and Suzhou in Jiangsu Province. As of the Latest Practicable Date, 19 out of our 26 outlets were located in Northwestern China. We have a proven track record of establishing successful and high quality outlets. In Northwestern China, we were the first to set up outlets for Cadillac, Porsche, Bentley, Ferrari/Maserati and Hongqi, and among the first dealerships to set up outlets for Audi. As of the Latest Practicable Date, we had ten outlets covering such ultra-luxury automobile brands as Porsche and Ferrari/Maserati, for which we were the only dealer in Northwestern China, two outlets covering Bentley, for which we were the only dealer in Shaanxi Province, and 13 outlets covering such luxury automobile brands as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. As of the Latest Practicable Date, we had received non-binding letters of intent from automobile suppliers, and we planned to establish one outlet for ultra-luxury automobile brand of Ferrari/Maserati, nine outlets for luxury automobile brands including Audi, Volkswagen Imported, Hongqi and Chrysler and one outlet for Shanghai Volkswagen, a middle market brand.

We offer a comprehensive range of automobile sales and services, including (i) the sale of automobiles, both imported and domestically manufactured, and (ii) after-sales services, including maintenance and repair services, sales of spare parts and automobile detailing services. We also provide other value-added services, such as automobile insurance agency services, automobile financing services, automobile licensing services and automobile survey services.

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We achieved rapid growth during the Track Record Period. For 2011, 2012 and 2013, the volume of our automobile sales was 11,032 units, 14,810 units and 15,834 units, respectively, representing a CAGR of 19.8%, and our revenue generated from sales of automobiles during the same periods was RMB4,967.5 million, RMB6,619.3 million and RMB6,739.4 million, respectively, representing a CAGR of 16.5%. In particular, revenue derived from sales of luxury and ultra-luxury branded automobiles during the same periods was RMB4,411.0 million, RMB6,122.3 million and RMB6,308.2 million, respectively, representing a CAGR of 19.6%.

We have been continuously improving our after-sales service capabilities. During the Track Record Period, a majority of our new customers who purchased our luxury and ultra-luxury automobiles returned to our 4S dealership stores for maintenance or repair services. The throughput volume of after-sales services increased from 111,513 units for 2011 to 154,641 units for 2012, and further to 170,173 units for 2013.

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

	Year ended December 31,						
	2011		2012		2013		
Revenue source	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	CAGR on Revenue
	RMB'000	%	RMB'000	%	RMB'000	%	%
Automobile Sales							
— Luxury and ultra-luxury brands . . .	4,410,970	82.5	6,122,318	85.0	6,308,165	84.9	19.6
— Middle market brand	556,514	10.4	496,951	6.9	431,200	5.8	(12.0)
Subtotal	4,967,484	92.9	6,619,269	91.9	6,739,365	90.7	16.5
After-sales Services	380,920	7.1	585,963	8.1	693,334	9.3	34.9
Total	5,348,404	100.0	7,205,232	100.0	7,432,699	100.0	17.9

Our revenue grew from RMB5,348.4 million for 2011 to RMB7,205.2 million for 2012, and further to RMB7,432.7 million for 2013, representing a CAGR of 17.9%. Our gross profit grew from RMB515.9 million for 2011 to RMB562.5 million for 2012, and further to RMB623.9 million for 2013, representing a CAGR of 10.0%.

We have established long-term relationships with various leading global automakers and their PRC joint venture corporations, in particular the Volkswagen Group and its portfolio brand companies, including Porsche, Bentley, Audi and Volkswagen Imported. By leveraging our strong relationships with our existing luxury and ultra-luxury automobile suppliers, as well as our expertise in sales and services of luxury and ultra-luxury automobiles, we believe we will be able to further strengthen our leading market position in Northwestern China and replicate our success in new markets in China.

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OUR COMPETITIVE STRENGTHS

Second largest luxury and ultra-luxury automobile dealership group in Northwestern China

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR. As of the Latest Practicable Date, we had 26 outlets, 12 of which were dedicated to ultra-luxury automobile brands, such as Porsche, Bentley and Ferrari/Maserati, and 13 to luxury automobile brands such as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi, and 18 of our luxury and ultra-luxury outlets were located in Northwestern China. As of the Latest Practicable Date, we had received non-binding letters of intent from automobile suppliers, and we planned to establish one outlet for ultra-luxury automobile brand of Ferrari/Maserati, nine outlets for luxury automobile brands, including Audi, Volkswagen Imported, Hongqi and Chrysler and one outlet for Shanghai Volkswagen, a middle market brand. For 2011, 2012 and 2013, our revenue was RMB5,348.4 million, RMB7,205.2 million and RMB7,432.7 million, respectively, representing a CAGR of 17.9%. As a comparison, according to ACMR, the CAGR of the revenue generated from the PRC automobile dealership industry as a whole was approximately 16.9% during the same periods.

Since the establishment of our business in Xi'an in Shaanxi Province in 2002, we were among the few first movers to the rapidly developing and underserved Northwestern region of China and the first to set up outlets for Cadillac, Porsche, Bentley, Ferrari/Maserati and Hongqi, and among the first dealerships to set up an outlet for Audi in this region.

As manufacturers of luxury and ultra-luxury automobiles impose strict criteria when selecting their dealers, we believe, as a leading automobile dealership group with a strong track record and operating capabilities, we are well positioned to obtain additional authorizations from our existing luxury and ultra-luxury brands and establish relationship with new luxury and ultra-luxury automobile brands. Because of the luxury and ultra-luxury automobile markets' high entry barrier, our leading market position will give us a competitive advantage over any new joiners.

As an early player in the automobile dealership industry in Northwestern China, we have accumulated a large customer pool. We believe this has established a solid foundation for our after-sales services, which had a gross profit margin of approximately 37.5%, 41.6% and 41.4%, respectively, for 2011, 2012 and 2013. In addition, the gross profit of our after-sales services accounted for 27.7%, 43.4% and 46.0%, respectively, of our total gross profit during the same periods. We believe this has enabled us, and will continue to enable us, to enjoy a steady flow of revenue and profit from both new automobile sales and after-sales services.

Strategic outlet network in Northwestern China with strong growth potential in the luxury and ultra-luxury segments

We have established a strong foothold in Shaanxi Province and have further expanded our businesses in its neighboring regions, such as Inner Mongolia and Shanxi Province, which are resource abundant regions. According to ACMR, the reserves of petroleum, natural gas and coal in Northwestern China accounted for approximately 34.8%, 40.0% and 15.0% of the total reserves in China for 2012. This has given rise to the increasing number of high net worth individuals who in turn become the major purchasers of luxury and ultra-luxury automobiles. As

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a result, during the Track Record Period, customers in energy and related industries were our largest group of customers, accounting for approximately 12.8%, 12.7% and 13.3%, respectively, of our total number of customers for 2011, 2012 and 2013.

Northwestern China and its neighboring provinces, including Inner Mongolia and Shanxi Province, experienced a rapid growth in GDP in recent years as a result of the Chinese government's preferential policies and commitments to develop Middle and Western China. According to ACMR, the CAGR of China's overall GDP was approximately 13.7% from 2009 to 2013, while the CAGR of the GDP growth of Shaanxi Province, Gansu Province, Qinghai Province, Ningxia and Xinjiang was approximately 18.4%, 16.8%, 18.1%, 17.7% and 18.8%, respectively, for the same period. As a result, according to ACMR, the growth rate of the number of individuals who had net assets of RMB10 million or above was approximately 2.9% in China for 2013, and the growth rate in Shaanxi Province, where we are based, was approximately 4.3% for 2013. However, the penetration rate of automobiles was only approximately 5.8% in Northwestern China for 2013, compared to approximately 7.2% across China for the same period. Because of the fast economic growth and low penetration rate of automobiles, the sales of luxury and ultra luxury automobiles in Northwestern China have experienced rapid growth in recent years and we believe such growth will continue.

By leveraging our strong foothold and comprehensive experience and knowledge in Northwestern China, we believe we will be able to further strengthen our leading market position in this region and replicate our success in new markets in China.

Strong focus on luxury and ultra-luxury brands, which has been the driver of our revenue and profit growth

As of the Latest Practicable Date, 25 out of our 26 outlets were dedicated to ultra-luxury automobile brands, such as Porsche, Bentley and Ferrari/Maserati, and luxury automobile brands, such as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. We believe the automobile brands that we sell are among the most popular brands in China. Such brands have experienced sustained sales growth in the PRC.

Revenue derived from our luxury and ultra-luxury outlets accounted for 88.8%, 92.4% and 93.6%, respectively, of our total revenue for 2011, 2012 and 2013. The gross profit of our luxury and ultra-luxury outlets accounted for 93.2%, 95.8% and 97.0%, respectively, of our total gross profit for the same periods. Sales of luxury and ultra-luxury automobiles typically generate higher gross profit margins than sales of middle market brands. Our gross profit margin of new automobile sales of luxury and ultra-luxury brands was 8.0%, 5.1% and 5.3% for 2011, 2012 and 2013. As a comparison, according to the estimates of ACMR, the average gross profit margins of new automobile sales in China in 2013 were between 1% to 2%.

Long-term strong relationships with leading automobile suppliers, in particular, our strategic cooperation with the Volkswagen Group and its portfolio brand companies

We have established a long-term strategic cooperation with the Volkswagen Group and its portfolio brand companies and have become one of its important dealership groups in China. As of the Latest Practicable Date, of our 26 outlets, 15 exclusively offered automobiles manufactured by the portfolio brand companies of the Volkswagen Group. We were among the first dealership groups authorized by Audi to establish 4S dealership stores in Northwestern China, which was also our first 4S dealership store. We were also the first to set up outlets for Porsche and Bentley in Northwestern China. According to ACMR, we were the only dealership

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group for Porsche and Ferrari/Maserati in Northwestern China, and the largest dealership group for Porsche, Bentley, Audi and Volkswagen Imported in Northwestern China in terms of the number of 4S dealership stores of these brands in aggregate as of December 31, 2013. In November 2012, Shaanxi Sunfonda Technology became a non-exclusive regional distributor for certain models of automobiles under Volkswagen Imported. For more details, please see “— Our Outlets — Dealership Arrangements”. We have been invited by the Volkswagen Group and its portfolio brand companies to attend regular meetings with its global and China senior management members, provide our feedback to its expansion strategy and plan in China and participate in its high-profile marketing events.

According to ACMR, in terms of new automobile registration numbers, Porsche and Bentley branded automobiles accounted for approximately 92.9% of the market share of ultra-luxury brands in China for 2012, with Audi, Volkswagen Imported and Lexus accounting for approximately 42.3%. According to ACMR, Porsche was the largest ultra-luxury automobile brand and Audi was the largest luxury automobile brand in China in terms of new automobile plate registrations from 2007 to 2012.

For 2011, 2012 and 2013, sales of new automobiles manufactured by the portfolio brand companies of the Volkswagen Group, including Porsche, Bentley, Audi and Volkswagen Imported, were the largest revenue source of, and profit contributor to, our new automobile sales business. Sales of these automobile brands accounted for 68.0%, 80.7% and 83.1% of our total automobile sales for 2011, 2012 and 2013, respectively.

In addition, we were authorized by FAW-Volkswagen in 2004 to operate its first spare parts distribution center in Northwestern China, which is the only distribution center to stock and provide spare parts for Audi and Volkswagen brands to automobile dealership groups in Shaanxi Province, Gansu Province, Ningxia, Qinghai Province and Shanxi Province. We believe this distribution center further strengthens our strategic cooperation with the Volkswagen Group and its portfolio brand companies. For more details, please see “Business — Spare Parts Distribution Center” in this prospectus.

We believe that our operational capabilities and expertise have helped automobile suppliers gain market share and win customer loyalty in China, which in turn has contributed to our long-term relationships with them. In addition, we are actively seeking cooperation opportunities with other luxury and ultra-luxury brand automobile suppliers to expand our brand portfolio. We have developed relationships with new automobile suppliers, such as Mercedes-Benz. We believe that by leveraging the outstanding brand portfolio and market image of luxury and ultra-luxury automobile suppliers, we are well placed to further strengthen our market position, enter into new markets and capture growth opportunities in the rapidly expanding luxury and ultra-luxury automobile markets in China. In addition, we believe our strong relationship with luxury and ultra-luxury automobile suppliers will give us a competitive advantage when we seek to obtain authorizations from other luxury and ultra-luxury automobile suppliers.

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Ability to achieve sustainable growth through our effective and replicable expansion model

We have a proven track record of rapidly establishing successful and high quality outlets. We rapidly expanded our network by opening five new outlets in 2011, eight in 2012 and five in 2013, which increased the number of our luxury and ultra-luxury outlets from 11 as of December 31, 2011 to 25 as of the Latest Practicable Date. We have historically expanded our dealership network by steady organic growth through a replicable model for establishing and managing new outlets, including (i) identifying new markets and sites, (ii) applying for new dealership authorization, and (iii) recruiting, training and managing staff for new outlets. These standardized processes enable us to use our human resources efficiently, help to instill our business practices and corporate culture at new stores and ensure consistent service quality across our network. Our large pool of skilled employees allows us to staff new stores quickly and appropriately. As a result, we have been able to realize sales and profit within a short period of time following the commencement of a new outlet. For example, we launched the Porsche 4S dealership store in Ordos in February 2012, which sold 175 new automobiles in three months after its inception and recorded a net profit for 2012. In addition, we launched the Audi 4S dealership store in Xi'an in September 2011, which recorded a net profit in the first six months of its operations.

We believe our large land reserve in Northwestern China helps to ensure the continuous growth of our luxury and ultra-luxury automobile dealership businesses. As of the Latest Practicable Date, of our 26 outlets, 14 were located on land to which we own the land use rights. As of December 31, 2013, the total land area used by us was 263,829 square meters, of which we owned the land use rights of land parcels with a total area of 179,504 square meters, accounting for approximately 68.0% of the total land used by us. Luxury and ultra-luxury automobile suppliers typically choose to grant dealership authorization to dealerships possessing land use rights for the new store venues to ensure sustainable sales growth. In addition, given the perception of inflation and the increasing real property price, our large land reserve enables us to control our operating costs in the long run. For 2011, 2012 and 2013, rental fees for the land and buildings we leased from third parties accounted for approximately 0.12%, 0.33% and 0.25% of our total revenue, respectively. Furthermore, we can obtain mid- to long-term loans from banks by pledging our land use rights, which provides us with easy access to stable external financing and lower financing costs when compared to unsecured loans.

Moreover, we offer high-quality and comprehensive after-sales services to our customers. During the Track Record Period, a majority of our new customers who purchased our luxury and ultra-luxury automobiles returned to our 4S dealership stores for maintenance or repair services. The throughput volume of after-sales services increased from 111,513 units for 2011 to 154,641 units for 2012, and further to 170,173 units for 2013. We believe that our high-quality and comprehensive after-sales services and expertise have enabled us to develop long-term and stable relationships with our customers, which in turn has helped us to enlarge our customer base, expand our revenue source and improve our results of operations.

OUR BUSINESS

Experienced senior management team with a strong track record and are supported by a team of talented and well-trained professionals and a key investor

Our executive Directors and senior management team comprise a group of highly experienced professionals in various fields of the automobile dealership industry, with an average industry experience of greater than 13 years. Mr. Wu, one of our founders, has 27 years of experience in the automobile dealership industry. For more details of the industry experience of our senior management, please see “Directors and Senior Management” in this prospectus. Our executive Directors and senior management team have transformed us from a single outlet player to one of the largest luxury and ultra-luxury automobile dealership groups in Northwestern China. Our executive Directors and senior management team are committed to value creation through their thorough understanding of market dynamics, talent development and customer needs. We believe that our management team possesses in-depth knowledge critical to success in the automobile dealership industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management and production schemes and increasing our overall profit to maximize our shareholder value.

Our management team is supported by a team of talented and well-trained professionals across all levels of our organization. We recognize that our employees are key to maintaining the success of our business. As a result, we focus on identifying, recruiting and training talented individuals. Based on our experience and the training programs of our automobile suppliers, we have developed standardized processes and comprehensive courses for the training of our employees and continuous upgrading of their skills and know-how. We have a systematic approach for identifying and promoting talented employees, often by rotating them to different stores, which offers them long-term career paths and performance incentives and allows us to leverage the skills and know-how of our more experienced employees at our new stores. This has contributed to the decrease in the ramp-up period required at new outlets. We believe that the continuous development of our employees provides us with a solid foundation for the continued success of our business.

In addition, Standard Chartered Private Equity made an investment of US\$34.37 million in Top Wheel in April 2011, which we used to expand the dealership network of our Group. With the sponsorship of Standard Chartered Private Equity, we have enhanced our management structure and corporate governance by diversifying our shareholding structure, which will improve our brand value and reputation.

OUR STRATEGIES

Continue to strengthen our leading market position in Northwestern China and selectively expand into new markets in China

We intend to capitalize on our local know-how, relationships and positive brand image established by our existing dealership network, as well as our in-depth industry expertise, to establish successful new outlets in Northwestern China. We believe our current markets in Northwestern China as well as Inner Mongolia and Shanxi Province have significant market potential, and market demands for automobiles, maintenance and repairs, spare parts, detailing, automobile accessories and other services will increase in these regions due to their rapid economic growth. To further strengthen our strong presence in Northwestern China, as of the Latest Practicable Date, we have signed non-binding letters of intent with automobile suppliers, and we planned to establish four luxury and ultra-luxury brand outlets in this region.

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With a stronghold in the luxury and ultra-luxury automobile dealership industry in Northwestern China, we seek to further expand our dealership network into certain more populous and affluent regions of China which are more developed and sustain high economic growth rates. We commenced the trial operation of a Volkswagen Imported showroom in Wuxi, Jiangsu Province in October 2013 and we commenced trial operation of one Volkswagen Imported showroom in Suzhou in December 2012. We have also signed non-binding letters of intent for one Audi 4S dealership store in Beijing, one Audi 4S dealership store in Yangzhou, one Volkswagen Imported 4S dealership store in Wuxi and one Volkswagen Imported showroom and one Chrysler 4S dealership store in Suzhou in Jiangsu Province. We believe these will help us diversify our revenue sources and provide us with new growth drivers.

We have secured land reserves in Beijing and Jiangsu Province, which we believe are critical for us as they allow us to enter these new markets by replicating our network expansion model. As of December 31, 2013, we have paid in full the land premium (exclusive of tax and expenses directly relating to the land) of RMB196.5 million for the land in Beijing. For the planned outlet in Beijing, as of December 31, 2013, we have incurred capital expenditure (exclusive of the land premium) of approximately RMB8.9 million and expected to incur additional RMB40.7 million. For the land in Wuxi in Jiangsu Province for the Volkswagen Imported showroom and 4S Dealership Store, as of December 31, 2013, we have paid in full the land premium (exclusive of tax and expenses directly relating to the land) of RMB13.8 million and have obtained the relevant land use rights certificate. We are in the process of obtaining the land use rights certificate for the land in Beijing. Our directors and senior management members, including Mr. Wu and Mr. Jia Ruobing, have worked in or are familiar with the automobile dealership markets in Beijing and Jiangsu Province. We believe their experience and knowledge will help us establish a solid foothold in these new markets in a relatively short time period. We have conducted comprehensive surveys and research and, given the strong economic growth, large affluent population and rapid development of the ultra-luxury and luxury automobile market, we believe there is still growth potential for increased sales of ultra-luxury and luxury automobiles in these new markets. In addition, our new outlets and non-binding letters of intent to open outlets in these new markets are also evidence of the automobile suppliers' strong confidence in these new markets. Moreover, by leveraging our strong track record and long-term relationships with automobile suppliers, we believe we are well positioned to obtain new authorizations from automobile suppliers to open new outlets in our new markets. By leveraging our long-term expertise in the luxury and ultra-luxury automobile dealership sector and by focusing on the luxury automobile brands we currently sell, we believe we can replicate our success in our new markets. For more details of our successful network expansion model, please see “— Our Competitive Strengths — Ability to achieve sustainable growth through our effective and replicable expansion model” and “— Our Outlets — Dealership Network Expansion”.

We believe that our proven track record and established relationships with the luxury and ultra-luxury automobile suppliers that we currently work with, especially the Volkswagen Group and its portfolio brand companies, will enable us to obtain additional dealership authorizations to further expand our dealership network. In addition, we may strategically acquire or merge with automobile dealerships to expand our dealership network and brand portfolio. As of the Latest Practicable Date, we had not identified any target.

Continue to enhance our existing brands and further diversify the portfolio of luxury and ultra-luxury automobile brands that we offer

We believe that our well-established relationships with leading automobile suppliers and our successful track record with luxury brands such as Audi and Volkswagen Imported and

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ultra-luxury brands such as Porsche, position us to obtain additional authorizations from these luxury and ultra-luxury brand manufacturers. We aim to enhance our relationships with our existing automobile suppliers by maintaining closer communication with them, offering more assistance regarding strategy formation and decision making and obtaining additional authorizations from them.

We also plan to pursue opportunities to cooperate with other luxury or ultra-luxury brand automobile suppliers to expand our brand portfolio. We believe this will further enhance our market position and improve our results of operations, as these automobiles are in high demand but with limited availability.

We believe that by diversifying and optimizing the mix of luxury and ultra-luxury automobile brands in our portfolio and the products and services we offer, we will be able to enhance our market leading position and maximize our profitability.

Expand the scope of our after-sales services, improve the efficiency of our after-sales services and improve our customer service quality

Our after-sales business, which includes maintenance, repairs, sales of spare parts and detailing services, generates stable, recurring revenue and high profit margins for us. We believe that through the expansion of our after-sales services, we will improve our gross profit margin and increase our overall profitability. We expect our new automobile customers to develop into a growing after-sales customer base over time as our new stores mature. We have achieved a high level of customer satisfaction with our new automobile sales, which we believe will drive the growth of our after-sales business. We intend to expand our business operations by utilizing our existing resources and customer base to continue to strengthen our after-sales business.

To grow our after-sales services, we plan to continue to expand the scope of our after-sales services and improve our service quality with a view to retaining existing customers and attracting new customers. We plan to provide more new services to our customers, such as emergency assistance. We will offer more types of automobile parts to cater to changing market demands and customer preferences. In addition, we will enhance the training system that we offer to our repair and maintenance personnel.

We plan to further develop our sales of automobile accessories and related products by leveraging our luxury and ultra-luxury automobile brands and large customer base. We also plan to expand the reach of our mobile after-sales platform to our customers in distant areas within the regions authorized by our automobile suppliers, which we believe will improve our customer satisfaction and loyalty.

Further strengthen our brand, operational efficiency and sales and marketing efforts

We will continue to strengthen our brand, our operational efficiency and sales and marketing efforts to improve sales performance and improve profitability. We will regularly conduct a centralized analysis of all aspects of our business processes to identify improvement opportunities. Our centralized ERP 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 experience to further reduce the time required to ramp up the operations of a new outlet, which will enable us to accelerate the expansion of our dealership network. In addition, we will also continue to invest in our information technology system to support our business practices and expansion plans.

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We will also enhance our sales and marketing efforts through additional advertising and marketing campaigns and participation in promotional events, such as the utilization of on-line promotions. We will also continue to promote our Sunfonda brand.

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

Our employees are critical to our success. We have invested, and intend to continue to invest substantially in our employees in order to recruit, train and retain the best personnel for our business. We have a systematic approach to recruit talent to suit our business development needs. We will maintain and enhance collaborations with local educational institutions to ensure our continued access to qualified candidates.

We will also continue to regularly review and improve our training programs to improve our employees' productivity and service quality. In addition, we will continue to require our employees to participate in the training programs provided by our automobile suppliers to keep our employees abreast of the knowledge and skills desirable to our automobile suppliers.

We plan to train and internally promote a majority of the store managers, senior managers and skilled technical personnel required to support our expansion. We plan to continue to evaluate and enhance our human resources management processes to strengthen our ability to train, identify and retain employees. We will continue to regularly evaluate the performance of our employees and provide talented employees with career opportunities within our Group. We will also continue to improve and implement policies to rotate our employees among different outlets, to ensure successful experience sharing and enhance service quality. We will also continue to evaluate our compensation system to ensure that we offer competitive compensation packages to our employees and that incentives are aligned with performance.

INDUSTRY*

For the purposes of the analysis of the PRC automobile industry below, China is divided into six regions, including Northern China, Northeastern China, Eastern China, Middle Southern China, Southwestern China and Northwestern China. Northern China includes Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia. Northeastern China includes Liaoning Province, Jilin Province and Heilongjiang Province. Eastern China includes Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province. Middle Southern China includes Henan Province, Hubei Province, Hunan Province, Guangdong Province, Guangxi Province and Hainan Province. Southwestern China includes Chongqing, Sichuan Province, Guizhou Province, Yunnan Province and Tibet. Northwestern China includes Shaanxi Province, Gansu Province, Qinghai Province, Ningxia and Xinjiang.

* We commissioned ACMR, an Independent Third Party, to conduct an analysis of the PRC and global passenger vehicle market. The consulting fee paid by the Company to ACMR in connection with the preparation of the industry report for this prospectus was approximately RMB440,000. ACMR prepared the industry report in April 2014 based on their specific knowledge of the PRC automobile industry and the forecasts were based on ACMR's analysis of historical data and trends, which ACMR obtained from a variety of industry sources, including relevant PRC Government departments and established PRC industry organizations such as the National Bureau of Statistics of China, the Ministry of Transport of China, China Automobile Dealers Association and China Automotive Technology & Research Center. ACMR has conducted interviews with market participants and industry experts in order to support, verify and cross check its estimates. Certain information set forth in this section has been extracted from the industry report prepared by ACMR.

OUR BUSINESS

Strong economic growth in the PRC, especially in Northwestern China

The Chinese economy has experienced strong growth since the implementation of a series of reform measures by the PRC Government in the late 1970s. According to the National Bureau of Statistics of China, the PRC's nominal GDP grew from RMB13,582.3 billion in 2003 to RMB56,884.5 billion in 2013, representing a CAGR of 15.4%. Correspondingly, the PRC's nominal GDP per capita grew from RMB10,542 in 2003 to RMB41,805 in 2013, representing a CAGR of 14.8%.

Continuous rapid economic growth has accelerated the urbanization process, which in turn has led to an improvement in living standards and an increase in purchasing power. From 2003 to 2013, the per capita annual disposable income of urban residents in the PRC increased from approximately RMB8,472 to RMB26,955, representing a CAGR of approximately 12.3%, according to the National Bureau of Statistics of China.

Rapid economic growth and accelerated urbanization have led to substantial investment in transportation infrastructure. The length of China's highways network grew at a CAGR of 9.2% from approximately 1.8 million kilometers in 2002 to approximately 4.2 million kilometers in 2012, according to the Ministry of Transport of China. The increasing length of highways greatly facilitates inter-city travel. Improvement in transportation infrastructure provides the fundamental condition that supports the growth of automobile consumption in China.

In 2009 and 2010, the PRC Government issued a series of favorable policies to help promote the automobile market in China, including reduction in the automobile purchase tax, direct subsidies to rural residents purchasing automobiles, subsidies to automobile owners replacing old automobiles with new ones, and the implementation of the Adjustment and Vitalization Plan for the automobile sector. These favorable government policies have stimulated sales of passenger vehicles in China. The PRC Government currently implements automobile purchase restrictions in certain cities of China, such as Beijing and Guiyang, which has magnified the purchase of luxury and ultra-luxury automobiles by high income and top earners classes in China.

Since 2000, with favorable government support and policies, including the Tenth Five-year Plan and the Twelfth Five-year Plan, Northwestern China has undergone accelerated development. From 2003 to 2013, the total GDP of Northwestern China grew from RMB670.9 billion to RMB3,555.6 billion, representing a CAGR of 18.1%. The GDP of Northwestern China as a percentage of the total national GDP of China increased from 4.8% in 2002 to 6.1% in 2012. From 2003 to 2013, the GDP per capita of Northwestern China grew from RMB7,183 to RMB36,126, representing a CAGR of 17.5%.

The table below sets forth the nominal GDP and GDP per capita of Northwestern China from 2002 to 2012:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR
Nominal GDP (RMB in billions)	670.9	807.6	962.1	1,144.0	1,369.8	1,688.8	1,826.9	2,272.1	2,768.2	3,177.9	3,555.6	18.1%
Nominal GDP per capita (RMB)	7,183	8,579	10,167	11,988	14,237	17,422	18,741	23,482	28,470	32,480	36,126	17.5%

According to ACMR, the consumer and retail sector in the Northwestern China has experienced accelerated growth with a CAGR of 17.4% from 2007 to 2013. In addition, according to ACMR, Northwestern China has had a rapid development of infrastructure, and the CAGRs of the road length in Xinjiang, Gansu Province, Ningxia and Qinghai Province were

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5.9%, 5.5%, 5.2% and 4.6%, respectively, from 2007 to 2012, which were higher than the national average CAGR of 3.4% during the same period. Furthermore, according to ACMR, Northwestern China is rich in natural resources, which is estimated to have 35% of the petroleum reserve, 40% of the natural gas reserve and 15% of the coal reserve of China.

Fastest growing consumption among the world's top ten passenger vehicle markets

China has become the largest passenger vehicle market in terms of sales volume, and the fastest growing of the ten largest passenger vehicle markets worldwide, driven by the favorable macroeconomic environment in China as discussed above. The sales volume of new passenger vehicles in China increased from approximately 5.58 million units in 2007 to approximately 17.35 million units in 2013, representing a CAGR of approximately 20.8%.

Historical robust growth, as well as the low penetration rate of passenger vehicles in China relative to other major markets in the world suggests significant growth potential. In 2013, the passenger vehicle penetration rate in China was just 7.2%, compared to the global average of 11.6%, and was significantly lower than those of the developed countries, such as 43.6% in the U.S., 56.6% in Germany, 51.0% in France, 49.7% in the United Kingdom and 48.2% in Japan in 2013.

Northwestern China has enjoyed preferential policies, experienced high economic growth as a result of its abundant resources and displayed significant growth in passenger vehicle consumption. From 2007 to 2012, the registration volume of new passenger vehicles in Northwestern China grew at a CAGR of 24.7%, compared to the national average CAGR of 15.3%. This strong growth in Northwestern China is expected to continue in the future given the fact that the penetration rate of passenger vehicles in Northwestern China was 5.8% in 2013, which was much lower than the national average rate of 7.2%, according to ACMR.

Registration Volume of New Passenger Vehicles by Region

	2007	2008	2009	2010	2011	2012	GAGR
	<i>(Units in millions)</i>						
Northern China	1.15	1.27	1.91	2.15	2.00	2.21	14.1%
Northeastern China	0.42	0.45	0.76	0.76	0.85	0.87	15.6%
Eastern China	2.08	2.01	3.36	3.86	4.14	4.26	15.4%
Middle Southern China	1.32	1.25	1.76	2.23	2.38	2.5	13.6%
Southwestern China	0.58	0.57	1.09	1.23	1.14	1.22	16.0%
Northwestern China	0.26	0.31	0.59	0.63	0.73	0.79	24.7%
National	5.82	5.86	9.47	10.87	11.24	11.87	15.3%

Source: ACMR

As of the Latest Practicable Date, we had 18 luxury and ultra-luxury brand dealership outlets in Northwestern China that covered such brands as Porsche, Bentley, Ferrari/Maserati, Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. We were the only authorized dealer of Porsche in the region, and the only authorized dealer which operated dealership outlets of Ferrari/Maserati in the region as of December 31, 2013. As of December 31, 2013, there were 126 luxury and ultra-luxury 4S dealership outlets in Northwestern China.

Strong growth in the Northwestern China premium passenger vehicle market

Driven by a high economic growth rate at a CAGR of 18.3% from 2007 to 2012 and an increasing population of high net worth individuals, Northwestern China has experienced

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significant growth in premium passenger vehicle consumption. From 2007 to 2012, the registration volume of premium passenger vehicles in Northwestern China grew at a CAGR of 52.9%, compared to the national average CAGR of 39.2%.

Regional Distribution of Premium Passenger Vehicles Registration Volume (Units)

	2007	2008	2009	2010	2011	2012	CAGR
Northern China	48,534	76,222	86,801	139,938	169,463	213,255	34.5%
Northeastern China	16,378	24,594	28,118	39,254	60,879	75,760	35.8%
Eastern China	103,082	135,882	173,747	277,063	414,554	505,045	37.4%
Middle Southern China	39,976	54,413	63,196	113,418	185,192	242,415	43.4%
Southwestern China	18,557	28,076	34,864	57,177	90,926	127,927	47.1%
Northwestern China	6,847	10,736	15,208	23,239	41,632	57,250	52.9%
National	233,374	329,923	401,934	650,089	962,646	1,221,652	39.2%

Source: ACMR

Significant growth of our new markets

Suzhou ranked sixth among all cities in the PRC in terms of GDP in 2013, and is the largest market for passenger vehicles in Jiangsu Province. In 2012, the registration volume of ultra-luxury and luxury passenger vehicles in Suzhou accounted for 24.7% of the total passenger vehicle registration volume in Jiangsu Province, increasing at a CAGR of 41.6% from 2007 to 2012.

We plan to open one Audi 4S dealership store in Yangzhou in Jiangsu Province. The economy of Yangzhou has experienced rapid growth in recent years. The nominal GDP and nominal GDP per capita of Yangzhou both increased at a CAGR of approximately 16% from 2007 to 2013. The registration volume of ultra-luxury and luxury passenger vehicles in Yangzhou increased at a CAGR of 52.2% from 2007 to 2012, and is expected to continue to grow at an accelerated pace in the following years.

As of the Latest Practicable Date, we operated one Volkswagen Imported 4S dealership store in Suzhou. As of December 31, 2013, there were a total of 41 luxury and ultra-luxury automobile dealership outlets in Suzhou and 12 luxury and ultra-luxury automobile dealership outlets in Yangzhou.

Beijing is the traditional stronghold for ultra-luxury and luxury passenger vehicles in the PRC, with a well-developed economy and residents with high incomes. In 2012, Beijing ranked second in terms of its per capita annual disposable income for urban residents, and contributed 8.5% to the total registration volume of ultra-luxury and luxury passenger vehicles in the PRC. As of December 31, 2013, there were a total of 150 luxury and ultra-luxury brand dealership outlets in Beijing.

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The following table sets forth the number of dealership outlets of major luxury and ultra-luxury brands by geographic regions as of December 31, 2013:

	Northwestern China ⁽¹⁾	Suzhou	Yangzhou	Beijing
Porsche	2	1	—	5
Audi	14	5	1	22
Bentley/Ferrari/Maserati	5	3	—	7
Cadillac	8	3	1	6
Volkswagen Imported	18	3	1	6
Lexus	5	2	—	5

Source: ACMR

Note:

(1) Cities include Xi'an, Yinchuan, Yulin, Yan'an and Urumqi.

Rapid growth in premium passenger vehicle markets

According to ACMR, the PRC passenger vehicle market can be generally segmented into four brand categories: (i) ultra-luxury, (ii) luxury, (iii) middle market and (iv) low-end. The categorization is based on, among other things, price range, brand positioning and brand awareness of passenger vehicles.

The guiding price range for the ultra-luxury segment is above RMB1 million. Representative brands in this segment include Bentley, Ferrari, Lamborghini, Maserati, Porsche and Rolls-Royce. The guiding price range for the luxury segment is between RMB300,000 and RMB1 million. Representative brands in this segment include Acura, Audi, BMW, Cadillac, Infiniti, Jaguar, Lexus, Mercedes-Benz and Volkswagen imported. The guiding price range for the middle market segment is between RMB80,000 and RMB300,000. Representative brands in this segment include Ford, Honda, Mazda, Nissan, Peugeot, Toyota and Volkswagen. The guiding price range for the low-end market segment is below RMB80,000. Representative brands in this segment include BYD, Chery, Dongfeng, Geely, Great Wall, JAC, Suzuki and Xiali.

Driven by the increasing purchasing power of customers, sales of ultra-luxury and luxury passenger vehicles, together known as premium passenger vehicles, as well as middle market passenger vehicles, have experienced rapid growth in China in the past several years. The sales volume of ultra-luxury brand passenger vehicles increased from 5,022 units in 2007 to 50,357 units in 2013, representing a CAGR of 46.8%, according to ACMR. For luxury brand passenger vehicles, the sales volume increased from approximately 0.2 million units in 2007 to approximately 1.7 million units in 2013, representing a CAGR of 41.3%, according to ACMR. The sales volume of middle market brand passenger vehicles grew from 3.13 million units in 2007 to 10.78 million units in 2013, representing a CAGR of 22.9%, according to ACMR. ACMR forecasts that China's ultra-luxury and luxury car market will continue to grow at a CAGR of 23.4% and 17.7%, respectively, from 2014 to 2017 in term of sales volume. Separately, ACMR forecasts that China's ultra-luxury and luxury car market will grow at a CAGR of 22.2% and 13.9%, respectively, from 2014 to 2017 in terms of sales revenue.

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Sales volume of passenger vehicles in the PRC ('000 units)

	2007	2008	2009	2010	2011	2012	2013	CAGR	2014E	2015E	2016E	2017E
Ultra-luxury brands	5	11	10	16	32	41	50	46.8%	67	79	103	126
Luxury brands	219	330	362	711	1,102	1,434	1,745	41.3%	2,166	2,699	3,088	3,535
Middle market brands	3,134	3,995	4,751	6,815	8,602	9,243	10,777	22.9%	11,811	12,806	13,970	15,388
Others	2,223	1,724	3,627	4,609	3,494	3,603	4,778	13.6%	5,036	5,306	5,629	5,691
Total passenger cars	5,580	6,060	8,750	12,150	13,230	14,320	17,350	20.8%	19,080	20,890	22,790	24,740

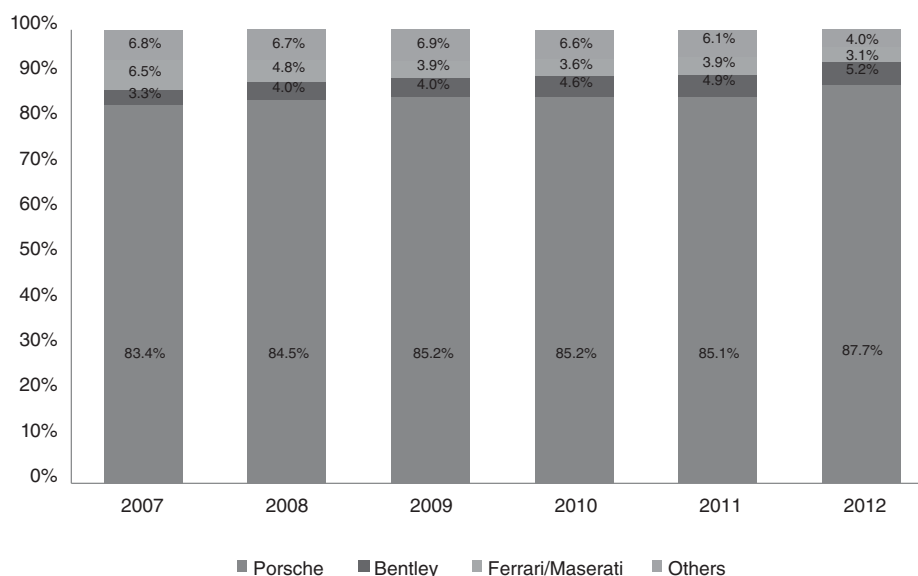
Sales revenue of passenger vehicles in the PRC (RMB billion)

	2007	2008	2009	2010	2011	2012	2013	CAGR	2014E	2015E	2016E	2017E
Ultra-luxury brands	7	11	11	21	40	53	62	43.7%	84	98	126	152
Luxury brands	142	183	217	401	586	689	845	34.6%	1,011	1,210	1,346	1,493
Middle market brands	514	535	684	975	1,135	1,208	1,438	18.7%	1,556	1,629	1,761	1,905
Others	107	77	173	231	157	170	223	13.1%	230	238	255	259
Total passenger cars	770	806	1,085	1,628	1,918	2,120	2,568	22.2%	2,881	3,175	3,487	3,810

Key players in the PRC premium passenger vehicle markets

The premium passenger vehicle segment is characterized by the concentration of market share in a small number of brands. The premium passenger vehicle market in the PRC is dominated by European automakers, with Volkswagen Group (including Porsche, Bentley, Bugatti, Lamborghini, Audi and Volkswagen Imported) being the No.1 player in terms of sales volume and accounting for approximately 38.3% of the total sales volume of the premium market in 2012. Among these brands, Porsche had the largest market share 87.7% of China's ultra-luxury market in 2012, while Audi had the largest market share 30.4% of China's luxury market in 2012. The following chart sets forth the breakdown of the sales volume of ultra-luxury passenger vehicles by brand in China for the periods indicated.

Ultra-luxury Passenger Vehicles Sales Volume Breakdown by Brand in the PRC

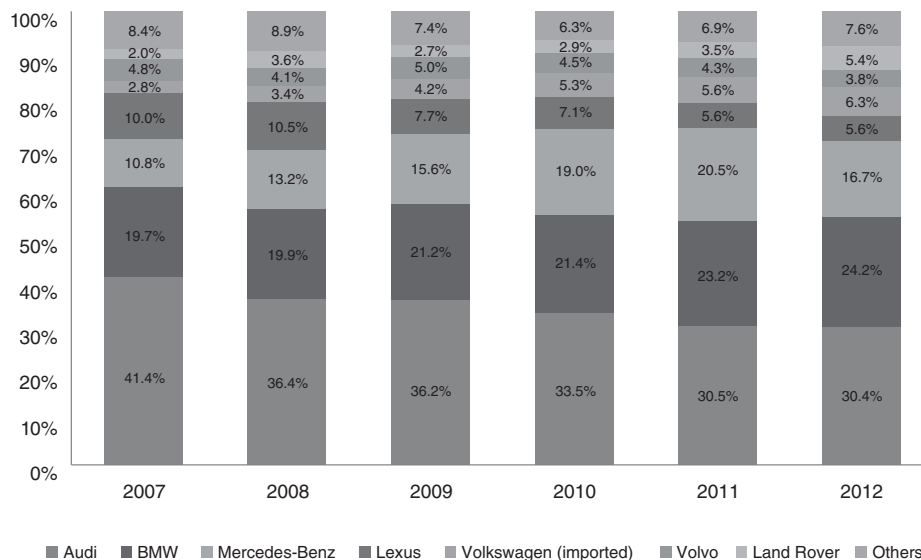


Source: ACMR

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The following chart sets forth the breakdown of sales volume of luxury passenger vehicles by brand in China for the periods indicated.

Luxury Passenger Vehicles Sales Volume Breakdown by Brand in the PRC



Source: ACMR

In addition, certain select brands achieved a higher growth rate in China than they did globally. The following chart sets forth the CAGR of each brand in Northwestern China, China and globally from 2010 to 2012.

2010–2012 CAGR of sales volume in Northwestern China, China and globally by select brands

Brands	Northwestern China	China	Global
Audi	44%	34%	15%
Bentley	104%	66%	29%
Cadillac	65%	32%	3%
Ferrari/Maserati	60%	39%	5%
Lexus	35%	12%	8%
Mercedes-Benz	53%	15%	6%
Porsche	61%	45%	21%
Volkswagen Imported	102%	38%	13% ⁽¹⁾

Source: ACMR

Note:

(1) Refers to Volkswagen.

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Overview of the PRC automobile dealership market

The dominant retail platform in the PRC passenger vehicle market is specialized automobile dealerships, known as “4S dealerships,” where 4S refers to sales, spare parts, service and survey.

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

The 4S dealership retail platform was introduced to China in the mid-1990s. The dominance of the 4S dealership as the established retail platform was driven by the Measures for the Implementation of the Administration of Branded Automobile Sales 《汽车品牌銷售管理實施辦法》 (the “Automobile Sales Measures”) promulgated by MOFCOM in February 2005. The Automobile Sales Measures stipulate that all automobile dealers must obtain permission from automakers before retailing the brands of the automobile manufacturers. As a result, other types of automobile sales platforms such as automobile trading markets and automobile supermarkets diminished in importance. From 2007 to 2013, total new passenger vehicle sales through 4S dealerships grew from approximately RMB731.5 billion to RMB2,567.8 billion, accounting for 95.0% and 100.0% of total new passenger vehicle sales, respectively, representing a CAGR of approximately 23.3%. It is expected that total passenger vehicle sales through 4S dealerships will continue to grow from approximately RMB2,881.0 billion in 2014 to RMB3,809.9 billion in 2017, representing a CAGR of 9.8%.

The following table illustrates the historical and projected 4S dealership revenue breakdown in China for the periods indicated:

Total 4S dealership revenue breakdown (2007-2017E)
(RMB billions)

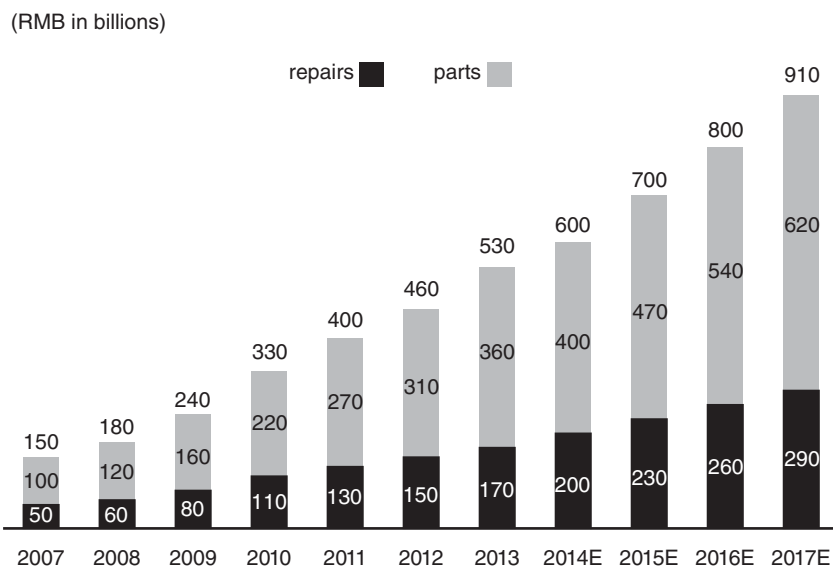
	2007	2008	2009	2010	2011	2012	2013	CAGR	2014E	2015E	2016E	2017E
New car sales	731.5	788.9	1,073.4	1,628.1	1,918.4	2,119.5	2,567.8	23.3%	2,881.0	3,175.2	3,486.8	3,809.9
After sales services	60.0	72.0	108.0	167.4	218.0	294.5	355.0	34.5%	410.0	480.0	550.0	630.0
Other	13.4	21.4	27.5	39.6	43.6	48.7	56.2	27.0%	66.0	78.0	93.5	113.0
Total 4S revenue	804.9	882.3	1,208.9	1,835.1	2,180	2,462.7	2,979.0	24.4%	3,357.0	3,733.2	4,130.3	4,552.9

The rise of after-sales services, particularly in the ultra-luxury and luxury segment

The major after-sales service providers in China include 4S dealership stores, small-scale service centers and franchises. ACMR expects that 4S dealership stores will become the dominant after-sales service providers in China. As the purchasing power of customers expands over time, the aftermarket service business is expected to become a more significant contributor to the profits of dealership groups. According to ACMR, the after-sales market grew from RMB150 billion in 2007 to RMB530 billion in 2013, representing a CAGR of 23.4%. It is expected that the after-sales market will continue to grow from RMB600 billion in 2014 to RMB910 billion in 2017, representing a CAGR of 14.9%.

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The following chart illustrates the historical and projected after-sales market in China for the periods indicated:



Source: ACMR

Consolidation opportunities in the highly fragmented market boosts the automobile dealership market

Automobile distributors have been looking to expand their 4S dealership networks and market share after acquiring capital investment. One option is to leverage on existing relationships with automobile suppliers and customers to set up new outlets. Another option is to look for consolidation opportunities, which may be an effective way to expand brand portfolio and geographic coverage given the fragmented automobile dealership market.

As of December 31, 2013, the total number of 4S dealership stores in the PRC was approximately 30,000, with Northwestern China's contribution rate relatively low at 7.2%, which indicates high growth potential.

Geographic Spread of Automobile Dealerships by Number of 4S Dealership Stores as of December 31, 2013

Region	Share
Northern China	15.5%
Northeastern China	8.2%
Eastern China	35.4%
Middle Southern China	23.1%
Southwestern China	10.6%
Northwestern China	7.2%
National	100.0%

Source: ACMR

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According to ACMR, we were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013.

The following table sets forth the top five premium automobile dealerships in Northwestern China by the number of dealership outlets as of December 31, 2013.

No.	Company name	Major Dealership Regions	Major Premium Automobile Brands	Dealership outlets for premium automobiles
1	Company A	Xinjiang, Gansu, Qinghai	Volvo, Minicooper, Cadillac, Volkswagen Imported, Audi, Lexus, Acura	24
2	Sunfonda Automobile Group	Shaanxi, Gansu, Ningxia	Porsche, Bentley, Audi, Cadillac, Lexus, Volkswagen Imported	17
4	Company C	Shaanxi, Gansu, Xinjiang	Mercedes-Benz, Audi, LandRover, Jaguar, Chrysler, Brabus	10
4	Company D	Xinjiang, Gansu, Shaanxi, Ningxia	LandRover, Jaguar	10
5	Company E	Xinjiang, Gansu, Qinghai, Shaanxi	Mercedes-Benz	9

Source: ACMR

Passenger vehicle after-sales market in the PRC

Private consumption of passenger vehicles is a key driver for the growth of the passenger vehicle after-sales service industry. According to the National Bureau of Statistics of China, privately owned passenger vehicles accounted for 14.8% of total passenger vehicles nationwide in 1990, which increased to 85% in 2010. In 2012, the number of privately owned passenger vehicles increased to 53.1 million units, or by 22.8%, when compared to 2011. As private automobile owners have specific demands for brands, functions and individualized characteristics, the development of the automobile after-sales market is driven by the increase in private automobile owners. In 2013, revenue from automobile after-sales service in China was approximately RMB530.0 billion, more than tripling the amount earned in 2007 which was RMB150.0 billion.

Revenue from the PRC passenger vehicle after-sales market through 4S dealerships expanded from RMB108.0 billion in 2009 to RMB355.0 billion in 2013, representing a CAGR of 34.5%. The portion of revenue generated from after-sales services out of the total revenue of the automobile dealership industry in the PRC has also increased from 9% in 2009 to 12% in 2013.

Recent developments

Since 2012, a series of measures under the Twelfth Five-year Plan, including quickly launching major investment projects, optimizing export trade policies, promoting structural tax reduction, strengthening financial services and reducing enterprise cost burdens, have played an important role in stabilizing economic growth. In addition, the PBOC reduced the one-year benchmark lending rate twice in 2012 by 0.25% and 0.31% respectively, which helped to bring down automobile finance costs, as well as the interest on automobile loans.

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On May 9, 2013, the NDRC and the MOFCOM jointly announced the Catalogue of Priority Industries for Foreign Investment in Central and Western China (Revised in 2013) (中西部地區外商投資優勢產業目錄(2013年修訂)), which became effective in June 2013). According to this catalogue, the automobile manufacturing industry is listed as an encouraged industry in Northwestern China, including Shaanxi Province, Gansu Province, Xinjiang, Qinghai Province and Ningxia, which we believe will be favorable to our business.

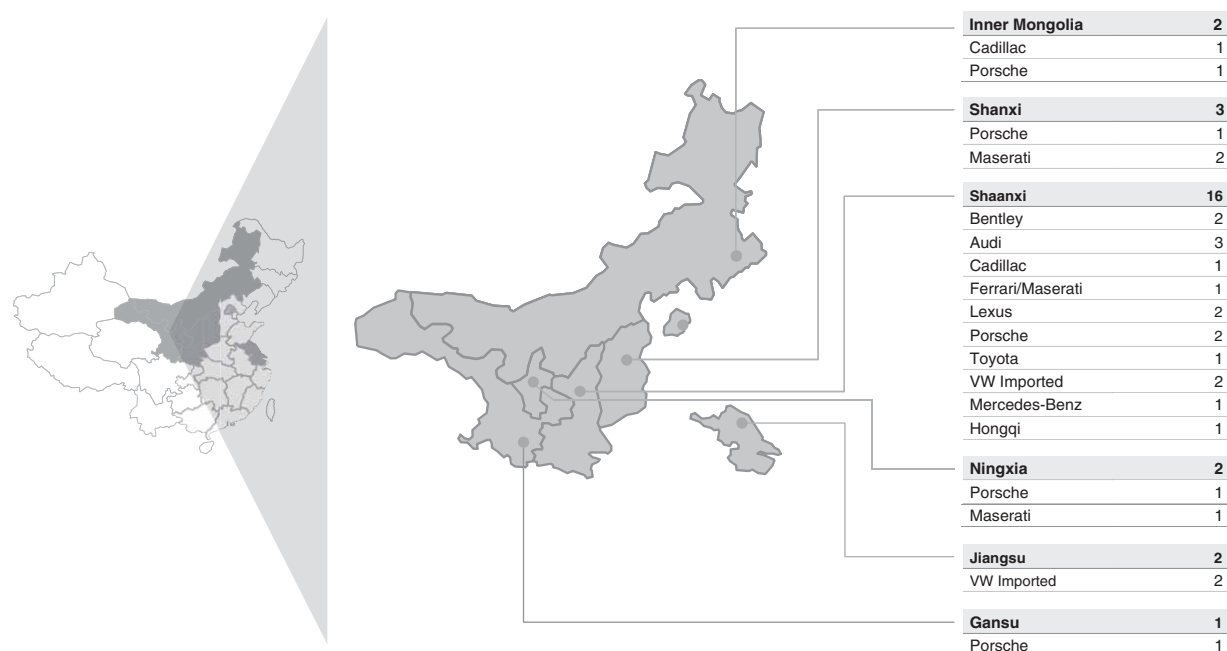
Due to the dispute over the Diaoyu Islands, the sales volume of Japanese automobiles in China declined rapidly. The sales volume of Japanese automobiles decreased to 2.5 million units for 2012 from 2.8 million units for 2011. The sales performance of Japanese automobiles continued to decrease in the first half of 2013 in the PRC, and started to recover in the third quarter of 2013. The sales volume of Japanese automobile was approximately 701,800 units in the third quarter of 2013, higher than 594,000 units and 686,900 units in the first quarter and the second quarter of 2013, respectively.

Our Directors have confirmed that the recent developments in the PRC automobile dealership market have not had any material adverse impact on our operations and financial condition.

OUR DEALERSHIP BUSINESSES

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR.

The map below sets forth the geographic distribution of our existing outlets as of the Latest Practicable Date:



We have expanded our dealership network through steady organic growth, with the number of our outlets more than doubling since 2009 due to the increase in the number of luxury and ultra-luxury automobile brands. As of the Latest Practicable Date, we had 17 4S dealership stores, eight showrooms and one service center. In China, the majority of automobiles are retailed through 4S dealership stores. Our showrooms only provide for sales of automobiles.

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The following table sets forth the number of our outlets as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
Ultra-luxury Brands				
Porsche	2	4	6	6
Bentley	1	2	2	2
Ferrari/Maserati ⁽¹⁾	—	1	1	4
Subtotal	3	7	9	12
Luxury Brands				
Audi	2	3	3	3
Volkswagen Imported ⁽²⁾	2	4	4	4
Mercedes-Benz	—	—	1	1
Cadillac	2	2	2	2
Lexus	2	2	2	2
Chrysler ⁽³⁾	—	1	—	—
Hongqi	—	—	1	1
Subtotal	8	12	13	13
Middle Market Brand				
Toyota	1	1	1	1
Subtotal	1	1	1	1
Total	12	20	23	26

Note:

- (1) We commenced the trial operation of the Ferrari/Maserati outlet in Xi'an in November 2012 and formally launched the outlet in April 2013.
- (2) We commenced trial operation of one Volkswagen Imported outlet in Suzhou in December 2012, and formally launched the outlet in May 2013. In June 2013, we disposed of our Volkswagen Imported outlet in Yangzhou, in Jiangsu Province. For more details, see “— Our Outlets — Dealership Arrangements”.
- (3) In August 2013, we terminated the operations of our Chrysler showroom in Yulin in Shaanxi Province after a trial operation. For more details, see “— Our Outlets — Dealership Arrangements”.

We offer a comprehensive range of automobile sales and services, including (i) sale of new automobiles, both imported and domestically manufactured, and (ii) after-sales services, including maintenance and repair services, sales of spare parts and automobile detailing services. We also provide other value-added services, such as automobile insurance agency services, automobile financing services, automobile licensing services and automobile survey services.

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

	Year ended December 31,						CAGR on revenue
	2011		2012		2013		
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	
	RMB'000	%	RMB'000	%	RMB'000	%	
Automobile Sales							
— Luxury and ultra-luxury brands . . .	4,410,970	82.5	6,122,318	85.0	6,308,165	84.9	19.6
— Middle market brand	556,514	10.4	496,951	6.9	431,200	5.8	(12.0)
Subtotal	4,967,484	92.9	6,619,269	91.9	6,739,365	90.7	16.5
After-sales services	380,920	7.1	585,963	8.1	693,334	9.3	34.9
Total	5,348,404	100.0	7,205,232	100.0	7,432,699	100.0	17.9

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OUR OUTLETS

We started our automobile dealership business by establishing our first Audi 4S dealership store in Xi'an in Shaanxi Province in 2002 and have, over the last two years, managed to expand the geographic coverage of our dealership network to Shanxi Province and Inner Mongolia. As of the Latest Practicable Date, among our 26 outlets in operation, 24 were located in Shaanxi Province, Inner Mongolia, Shanxi Province, Gansu Province and Ningxia, where we see an increasing yet unmet demand for ultra-luxury and luxury automobiles. Such an increase in demand primarily reflects the growing affluent population in the region.

The following table sets forth our revenue breakdown by region for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
	<i>(RMB'000, except percentages)</i>					
Shaanxi	4,919,429	92.0	6,014,562	83.5	5,961,360	80.2
Others ⁽¹⁾	428,975	8.0	1,190,670	16.5	1,471,339	19.8
Total	5,348,404	100.0	7,205,232	100.0	7,432,699	100.0

Note:

(1) Others include Shanxi Province, Inner Mongolia, Gansu Province and Jiangsu Province.

As of the Latest Practicable Date, we had 15 outlets in Xi'an. Revenue generated by our outlets located in Xi'an accounted for 74.8% of our total revenue for 2013.

In addition, by leveraging on our established relationship with the Volkswagen Group and its portfolio brand companies, we expanded into the populous and affluent Yangtze River Delta by opening one Volkswagen Imported showroom in Wuxi in Jiangsu Province, and we plan to open one Audi 4S dealership store in Yangzhou in Jiangsu Province, one Volkswagen Imported 4S dealership store in Wuxi in Jiangsu Province, and one Volkswagen Imported showroom and one Chrysler 4S dealership store in Suzhou in Jiangsu Province.

The following table sets forth the details of our outlets as of the Latest Practicable Date:

Outlets	Location	Operation Commencement	Dealership Expiration Date	Land Status	Reference under the paragraph headed "Our Properties"
Ultra-luxury Brand Outlets					
Porsche					
Shaanxi Xinjie	Xi'an, Shaanxi	Mar. 2007	Jul. 2014 ⁽²⁾	Self-owned	N/A
Shanxi Yingjie	Taiyuan, Shanxi	Nov. 2010	Dec. 2014 ⁽²⁾	Leased	Leased Property 6
Ordos Sunfonda Xinjie	Ordos, Inner Mongolia	Feb. 2012	Dec. 2014 ⁽²⁾	Self-owned	N/A
Lanzhou Sunfonda	Lanzhou, Gansu	July. 2012	Dec. 2014	Self-owned	N/A
Shaanxi Xinjie ⁽¹⁾	Xi'an, Shaanxi	Dec. 2013	Jul. 2014	Self-owned	N/A
Ningxia Sunfonda Xinjie	Yinchuan, Ningxia	Dec. 2013	Unspecified ⁽⁸⁾	Leased	Leased Property 4
Bentley					
Shaanxi Sunfonda Bentley ⁽¹⁾	Xi'an, Shaanxi	Sept. 2011	Unspecified ⁽³⁾	Leased	N/A
Shaanxi Sunfonda Bentley	Xi'an, Shaanxi	Aug. 2012	Unspecified ⁽³⁾	Self-owned	N/A
Ferrari/Maserati					
Shaanxi Sunfonda Junmei ⁽¹⁾⁽⁶⁾	Xi'an, Shaanxi	Nov. 2012	Unspecified ⁽⁴⁾	Leased	Leased Property 5
Shanxi Sunfonda Junmei ⁽¹⁾⁽⁹⁾	Taiyuan, Shanxi	Mar. 2014	Unspecified ⁽¹¹⁾	Leased	Leased Property 3
Shanxi Sunfonda Junmei ⁽⁹⁾⁽¹⁰⁾	Taiyuan, Shanxi	Mar. 2014	Unspecified ⁽¹¹⁾	Leased	N/A
Ningxia Sunfonda Junmei ⁽⁹⁾	Yinchuan, Ningxia	Mar. 2014	Unspecified ⁽¹¹⁾	Leased	N/A

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Outlets	Location	Operation Commencement	Dealership Expiration Date	Land Status	Reference under the paragraph headed "Our Properties"
Luxury Brand Outlets					
Audi					
Shaanxi Sunfonda	Xi'an, Shaanxi	May 2002	Sept. 2015	Self-owned	Owned Property 1
Shaanxi Sunfonda Boao	Xi'an, Shaanxi	Sept. 2011	Sept. 2015	Self-owned	N/A
Yan'an Sunfonda Boao	Yan'an, Shaanxi	Feb. 2012	May. 2014	Leased	Leased Property 7
Volkswagen Imported					
Shaanxi Sunfonda Technology ⁽¹⁾	Xi'an, Shaanxi	Nov. 2005	Unspecified ⁽⁵⁾	Leased	N/A
Shaanxi Sunfonda Technology	Xi'an, Shaanxi	Mar. 2011	Unspecified ⁽⁵⁾	Self-owned	N/A
Suzhou Sunfonda ⁽⁷⁾	Suzhou, Jiangsu	Dec. 2012	Unspecified ⁽⁵⁾	Self-owned	N/A
Wuxi Sunfonda Dehui ⁽¹⁾	Wuxi, Jiangsu	Nov. 2013	Unspecified ⁽⁸⁾	Leased	N/A
Mercedes-Benz					
Xi'an Sunfonda Star	Xi'an, Shaanxi	Dec. 2013	Unspecified ⁽⁸⁾	Self-owned	N/A
Cadillac					
Shaanxi Kaisheng	Xi'an, Shaanxi	Jan. 2007	Mar. 2014	Self-owned	N/A
Ordos Sunfonda Kaisheng	Ordos, Inner Mongolia	Dec. 2011	Mar. 2014	Self-owned	N/A
Lexus					
Xi'an Junsheng	Xi'an, Shaanxi	Jan. 2008	Apr. 2014	Self-owned	N/A
Xi'an Junsheng ⁽¹⁾	Xi'an, Shaanxi	Jul. 2011	Apr. 2014	Leased	Leased Property 1
Hongqi					
Xi'an Hongqi ⁽¹⁾	Xi'an, Shaanxi	Nov. 2013	Unspecified ⁽⁸⁾	Leased	Leased Property 2
Middle Market Brand Outlets					
Toyota					
Xi'an Xinmingyang	Xi'an, Shaanxi	Jun. 2006	(i) Mar. 2015 for FAW Toyota (ii) Dec. 2014 for Toyota imported ⁽⁵⁾	Self-owned	N/A

Notes:

- (1) Showroom only.
- (2) Such dealership authorization agreements have a term of approximately one to two years and will be automatically extended upon expiration. These dealership authorization agreements can be terminated by a three-month advance written notice by any party, and the termination will become effective upon expiration of the respective dealership authorization agreements.
- (3) Such dealership authorization agreement can be terminated by a 12-month advance written notice.
- (4) Such dealership authorization agreement can be terminated by a 180-day advance notice by any party or a 90-day advance notice by the automobile supplier.
- (5) Such dealership authorization agreements can be terminated by a three-month advance written notice by any party, and termination will become effective on the anniversary of the signing dates of the respective dealership authorization agreements immediately following the written notice.
- (6) We commenced the trial operation in November 2012.
- (7) We commenced the trial operation in December 2012.
- (8) Such dealership authorization agreements do not provide for a term or a method of termination.
- (9) These are for Maserati only.
- (10) This is a service center.
- (11) We commenced the trial operations of these outlets.

Since our inception, none of our dealership authorization agreements have been terminated by our automobile suppliers and we have been able to renew all of our dealership authorization agreements upon expiration. We do not expect any of our dealership authorization agreements to be terminated in the next 12 months.

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As part of our expansion plan and in order to further strengthen our market presence, we plan to open 11 new outlets by the end of 2014, including four outlets for such luxury and ultra-luxury brands as Ferrari/Maserati, Audi, Volkswagen Imported and Hongqi in Northwestern China, one Volkswagen Imported 4S dealership store in Taiyuan in Shanxi Province, one Audi 4S dealership store in Beijing, one Volkswagen Imported 4S dealership store in Wuxi in Jiangsu Province, one Audi 4S dealership store in Yangzhou in Jiangsu Province, one Volkswagen Imported showroom, one Chrysler 4S dealership store in Suzhou in Jiangsu Province and one 4S dealership store for Shanghai Volkswagen, a middle market brand, in Xi'an in Shaanxi Province by the end of 2014.

The following table sets forth the details of our planned outlets. We have entered into letters of intent for these outlets and have also commenced the construction of some of them:

Geographic Location	Brand	Store Type	Planned Commencement Date	Land Status
Taiyuan, Shanxi	Volkswagen Imported	4S dealership store	Fourth quarter of 2014	Self-owned ⁽¹⁾
Xi'an, Shaanxi	Ferrari/Maserati	4S dealership store	Second quarter of 2014	Self-owned
Wuxi, Jiangsu	Volkswagen Imported	4S dealership store	Third quarter of 2014	Self-owned
Yangzhou, Jiangsu	Audi	4S dealership store	Third quarter of 2014	Self-owned
Weinan, Shaanxi	Audi	4S dealership store	Fourth quarter of 2014	Self-owned
Beijing	Audi	4S dealership store	Third quarter of 2014	Self-owned ⁽¹⁾
Lanzhou, Gansu	Hongqi	Showroom	Second quarter of 2014	Leased
Suzhou, Jiangsu	Volkswagen Imported	Showroom	Third quarter of 2014	Leased
Xi'an, Shaanxi	Volkswagen Imported	Showroom	Second quarter of 2014	Leased
Xi'an, Shaanxi	Shanghai Volkswagen	4S dealership store	Fourth quarter of 2014	Self-owned
Suzhou, Jiangsu	Chrysler	4S dealership store	Fourth quarter of 2014	Self-owned

Note:

(1) We are in the process of obtaining the relevant land use right certificates.

In addition to the 11 planned outlets, we are also in communication with the government to prepare land reserves for our future outlets. In November 2013, Sunfonda HK entered into a letter of intent with the Investment Promotion Bureau of the Chang'an District in Xi'an to develop automobile dealership outlets. Pursuant to this letter of intent, the Chang'an District government intends to provide us with a land parcel of over 13,000 square meters for the development of the Sunfonda (Chang'an) Automobile Park, where we intended to set up five dealership outlets in 2014 and five dealership outlets in 2015 with an estimated total investment of up to RMB600 million, subject to further negotiation with the Chang'an District government and potential relevant automobile suppliers. As of the Latest Practicable Date, we had not initiated the discussion with the local government regarding the development plan of this project or commenced the procedures to acquire the relevant land use rights or made any payment or committed any capital for that purpose. In addition, we had not identified or contacted any target automobile suppliers for this project. Our Directors have confirmed that our Group has not made any definitive plan to develop this project as of the Latest Practicable Date. Our Directors believe that we are facing a number of uncertainties with regard to our obligations under the letter of intent, which primarily include whether we will be able to acquire the relevant land use rights at commercially acceptable costs or at all, whether we will be able to obtain the authorizations from our target automobile suppliers and whether we will be able to develop the dealership outlets within our budget and timetable. Thus, our current business development plan has not yet included this project. As a result, our Directors believe that the greatest risk associated with this project is that, subject to the uncertainties mentioned above, we will not be able to develop the dealership outlets within the target time frame or at all. King & Wood Mallesons, our PRC legal advisors, have advised us that, although the letter of intent reflects the genuine intent to

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cooperate between Sunfonda HK and the local government, the provisions of the letter of intent is not legally binding under PRC law because (i) the development plan as set forth in the letter of intent should be subject to the approval of and/or filing with the local NDRC, while the land grant should be subject to the approval of and the execution of land use right grant contract with, the local land authorities; and (ii) the Investment Promotion Bureau of the Chang'an District is a lead government agency of the local government to promote the investment of Sunfonda HK, but it is not an appropriate entity to enter into a definitive agreement with Sunfonda HK in terms of a specific development plan or the grant of a parcel of land. King & Wood Mallesons have further advised us that, if we fail to perform the letter of intent, they do not expect any material liabilities to be imposed on us as the letter of intent does not provide for any liabilities in the event that any party fails to carry out its responsibilities. If we eventually plan to carry out this project, we intend to finance the development through cash generated from our operations and bank and other borrowings.

Dealership Network Expansion

We have historically expanded our dealership network through steady organic growth and have established ourselves as a market leader in Northwestern China. Since 2012, we have also explored expansion opportunities in the Yangtze River Delta. As such, we have developed a replicable model for establishing and managing new outlets, including (i) identifying new markets and sites, (ii) applying for new dealership authorization, and (iii) recruiting, training and managing staff for new outlets.

Identification of new markets and sites

The identification of new markets to establish new stores is primarily determined by automobile suppliers, who formulate their dealership network expansion plans every year. The automobile suppliers form their dealership network expansion plans based on their annual sales targets. Before entering into new markets, automobile suppliers will consider a number of factors, such as the penetration rate of passenger automobiles, the local economic condition and growth potential. The automobile suppliers also leverage on the market intelligence provided by automobile dealerships to facilitate the formation of their dealership network expansion strategies.

We have established a network expansion department which is responsible for formulating our network expansion strategy and planning and establishing new outlets. We conduct market surveys to identify new markets with growth potential and seek opportunities to secure land parcels for our new outlets in these markets. From time to time, by leveraging our in-depth knowledge of the regions where we operate, we also recommend new markets that we believe have growth potential to the automobile suppliers.

In determining the venue for a new store, we take into account different factors, such as:

- visibility, convenience and ease of access;
- traffic flow and proximity to other automobile outlets;
- population density and growth and development potential;
- automobile consumption patterns and automobile ownership rates;

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- local disposable income per capita and spending power of targeted customers; and
- our relationship with the local business community and local authorities.

To ensure the stable and sustainable operations of a new outlet, we generally prefer to purchase the land use rights of the new store venue rather than lease from third parties. We believe this strategy gives us a competitive advantage over other dealerships during the selection of dealerships by automobile suppliers.

As of the Latest Practicable Date, of our 26 outlets in operation, 14 were located on land to which we own the land use rights. As of December 31, 2013, the total land area used by us was 263,926 square meters, of which we owned the land use rights to land parcels with a total area of 179,600 square meters, accounting for approximately 68.0% of the total land used by us. We have not sold any land use rights owned by us since we commenced our automobile dealership business.

The following table sets forth (i) the average amortization of land use rights and depreciation of properties per outlet located on our self-owned land and in operation and (ii) the average rental rates and depreciation of properties per outlet located on leased land and in operation for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
	<i>(RMB in millions)</i>		
Outlets on self-owned land	1.2	1.2	1.5
Outlets on leased land	1.4	1.9	1.8

During the Track Record Period, capital expenditure on outlets located on self-owned land and in operation, which primarily comprises expenditures on buildings, equipment and land use rights, ranged from RMB23.3 million to RMB118.8 million, and capital expenditure on outlets located on leased land and in operation, which primarily comprises expenditures on buildings and equipment, ranged from RMB48.4 million to RMB49.8 million.

We believe our large land reserve helps to ensure the sustainable operation of our outlets in the long run. Luxury and ultra-luxury automobile suppliers typically choose to grant dealership authorization to the dealerships possessing the land use rights of the new store venue. In addition, our large land reserve enables us to control our operating costs in the long run. Furthermore, we can obtain mid- to long-term loans from banks by pledging our land use rights, which provides us with easy access to stable external financing and lower financing costs when compared to unsecured loans.

Dealership authorization

To obtain a license for a new outlet, we are required to submit to the automobile supplier a proposal which sets forth our own market analysis and business plan. After the automobile supplier reviews and compares proposals from various applicants, it will identify the candidates to whom a new dealership authorization may be granted. The automobile supplier will then carry out on-site inspections, including visiting the venue of the potential store and interviewing the management team candidates of the new store. The candidates who pass the on-site inspection will have one to two rounds of interviews with the senior management of the automobile

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suppliers. After the interviews, the automobile manufacturer will select the authorized dealer for its new store. This process typically takes approximately three months.

Once we are selected as the dealer for a new outlet, we will enter into a non-binding letter of intent with the automobile supplier, which typically sets forth a detailed time frame to establish the new store, the minimum capital expenditures and the qualifications of the management team members of the new store. The automobile supplier will also provide detailed guidelines for the establishment of the new outlet, including standards governing the internal and external decorations, the display of the automobile supplier's logos and vehicles and the time frame for the construction and launch of the new outlet. In addition, the automobile supplier will provide us with its proprietary information technology system, which is installed in our outlets to track our sales and inventories and collect customer information. A new outlet must pass the automobile supplier's inspection and obtain its formal authorization before it can commence operations. The time required to establish a new store varies in different areas, typically ranging from six to 12 months. Since our inception, we have never failed to obtain the formal authorizations for our outlets built according to non-binding letters of intent.

Training, staffing and management

Prior to the launch of a new outlet, the automobile supplier will require all of the outlet's key personnel, including the outlet manager, managers of marketing, sales, after-sales services and financing, as well as the chief technician, to attend its mandatory training programs.

We typically staff a new outlet with an experienced store manager and trained sales and after-sales personnel from our existing stores. By leveraging their experience and skills, we can promptly ramp up a new store's operations. It typically takes six to eight months for a new outlet to break even, and 12 to 18 months for a new outlet to fully ramp up its operations. We also provide on-the-job training to the personnel at our new outlets. We usually staff the personnel at new stores from an existing outlet which has had strong automobile sales and after-sales volume for at least six months. During on-the-job training, we usually appoint an experienced staff member to supervise and assist each new personnel on a daily basis. After the launch of the new outlet, the supervisor will provide continuous assistance for three months. We believe our talent pool of over 150 professionals certified by our automobile suppliers across various areas of our operations further gives us flexibility in deploying our personnel, allowing us to launch and ramp up the operations of new stores quickly and appropriately.

We apply a centralized system to manage our outlets. At the beginning of every year, we set our Group's overall annual targets, which include sales and service volumes, revenue and various operational and financial targets. Based on these annual targets, we set monthly operating targets for each outlet. We review the annual and monthly targets from time to time and timely adjust these targets in response to market changes.

We carry out comprehensive internal audits to identify our operating flaws and improve our operations. Conducted on a quarterly basis, the internal audits cover areas such as new automobile sales, after-sales services, marketing, administration, financing and accounting and human resources. In addition, our various business units also carry out special audits of their relevant functions.

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Furthermore, the automobile suppliers require us to install their proprietary information systems in our outlets to track our sales performance and inventories and to collect customer information. In addition, we employ a centralized ERP system which provides our headquarters with real-time information regarding our cash levels and accounts, as well as sales and inventory levels of different automobile models at each of our outlets.

Dealership Arrangements

All of our outlets are subject to a non-exclusive dealership authorization arrangement with one automobile supplier to offer only the products of and services for one or more brands of that automobile supplier. We have entered into dealership authorization agreements with the suppliers of Bentley, Audi, Porsche, Volkswagen Imported, Ferrari/Maserati, Cadillac, Lexus and Toyota.

Under these agreements, the automobile suppliers specify the locations of our outlets and require us to observe their recommended pricing guidelines from time to time. Their representatives conduct site-visits, including unscheduled visits, to inspect the compliance of our outlets with their requirements. The automobile suppliers will set sales targets for us, regularly evaluate our performance and customer satisfaction levels, and conduct regular audits. Under our existing dealership authorization agreements, the automobile suppliers typically require our outlets to:

- sell only the brands of automobiles and other products of certain automobile suppliers at a particular outlet;
- carry out operations only in a designated region;
- subject to certain automobile finance arrangements, make full payment for our automobile inventory prior to shipment and take ownership and assume risk for the automobiles either upon shipment or upon delivery;
- provide designated services such as automobile maintenance and repair and spare parts at our 4S dealership stores;
- carry out marketing and advertising activities for the automobile supplier's products;
- adhere to the automobile suppliers' layout and design guidelines for the outlets; and
- observe the automobile suppliers' sales policies.

The dealership authorization agreements permit our stores to use the automobile suppliers' trademarks, trade names and other marketing and branding content in ways consistent with standards set by the automobile suppliers to promote sales at our outlets.

The dealership authorization agreements usually have terms ranging from one to three years. Pursuant to these dealership authorization agreements, the automobile suppliers can terminate the agreements with written notice for certain reasons, including our failure to comply with the agreements, unapproved business relationships with other automobile suppliers and unapproved changes to our ownership or management structure that would affect our ability to meet our contractual obligations. They can also terminate the agreements without cause by giving notice in writing. The notice period ranges from three months to 12 months for termination by the automobile suppliers without cause.

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Our discussions with automobile suppliers to renew dealership authorization agreements usually start approximately one to six months before the expiration dates. For dealers that outperform others, the automobile supplier may choose to enter into a long-term dealership authorization agreement rather than renewing it every year. We expect to be able to renew all of our dealership authorization agreements before expiration.

For the dealership authorization agreements of Shaanxi Xinjie, Shanxi Yingjie and Ordos Sunfonda Xinjie, the term of these agreements ranges between approximately one to two years and can be automatically extended upon expiration if there is no termination notice served by any party. These dealership authorization agreements can be terminated by a three-month advance written notice by any party, and the termination will become effective upon expiration of the respective dealership authorization agreements. For the dealership authorization agreements of Shaanxi Sunfonda Technology and Suzhou Sunfonda, these dealership authorization agreements can be terminated by a three-month advance written notice by any party, and the termination will become effective on the anniversary of the signing dates of the respective dealership authorization agreements immediately following the written notice. For the dealership authorization agreement of Shaanxi Sunfonda Bentley, no expiration date is provided and it can be terminated by a 12-month advance written notice.

Our Chrysler showroom in Yulin in Shaanxi Province commenced its trial operation in April 2012. Due to the continuous decrease in the price of coal, the local economy of Yulin declined significantly, which in turn caused a decrease in the market demand for luxury automobiles in Yulin. As a result, we terminated the operations of this showroom in August 2013. We terminated the non-binding letter of intent with the automobile supplier without incurring any additional costs or liabilities. Revenue generated by this showroom was RMB27.5 million and RMB14.4 million, respectively, for 2012 and 2013, accounting for 0.4% and 0.2%, respectively, of our total revenue during the same periods. In addition, our Directors estimate the potential loss from closing this showroom were approximately RMB0.4 million. As such, our Directors believe the termination of this showroom will not have any material adverse impact on our results of operations or financial position. Our Directors plan to use the venue of this showroom to open an outlet of another luxury or ultra-luxury automobile brand. Despite the closure of the Chrysler outlet, we maintain a good relationship with Chrysler. We have entered into a letter of intent to open a Chrysler 4S dealership store in Suzhou in Jiangsu Province which we expect to be launched in the fourth quarter of 2014. Please see “— Our Outlets”.

In November 2012, Shaanxi Sunfonda Technology entered into an agreement with Volkswagen Group Import Company Limited, which is part of the Volkswagen Group, and became a regional distributor for certain models of automobiles under Volkswagen Imported, including Volkswagen Phaetan, Volkswagen Touareg Hybrid, Volkswagen Touareg V8 and Volkswagen Multivan, in Shaanxi Province and Yangzhou, Suzhou and Wuxi in Jiangsu Province. The authorization is non-exclusive, as Volkswagen Imported may amend the geographic coverage of the authorized regions and appoint additional regional distributors in the same region from time to time. At the time of entering into such regional distribution agreements, there were 11 non-exclusive regional distributors in China for Volkswagen Imported in 11 geographic regions without any overlap. Pursuant to the authorization agreement, we are allowed to sell these models to other authorized dealerships of Volkswagen Imported and end-user customers in the authorized regions. If there is a regional distributor in the region and an automobile dealer in such region wants to procure and sell these automobile models of Volkswagen Imported, it will have to procure the automobiles from the regional distributor in the region. As of the Latest Practicable Date, in addition to Yangzhou Sunfonda, we had five automobile dealers that were wholesales customers, all of which were Independent Third

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Parties. We sell automobiles to such Independent Third Party automobile dealers at prices equal to the procurement prices we paid to the automobile supplier of the Volkswagen Imported automobiles, and we receive rebates for such sales, which enable us to enjoy a positive margin. The supplier of Volkswagen Imported, and not us, is responsible for monitoring each automobile dealer's inventory level, including that of Yangzhou Sunfonda.

Since our inception, none of our dealership authorization agreements has been terminated by automobile suppliers, and we have been able to renew all of our dealership authorizations upon expiration. We do not expect any of our dealership authorization agreements to be terminated in the next 12 months.

AUTOMOBILE SALES

We offer our customers a diversified portfolio of automobile brands, consisting of such ultra-luxury automobile brands as Porsche, Bentley and Ferrari/Maserati, such luxury automobile brands such as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi, and the middle market automobile brand of Toyota. We derive a majority of our revenue from automobile sales. For 2011, 2012 and 2013, we sold 11,032 units, 14,810 units and 15,834 units of passenger cars, respectively, and our revenue generated from sales of automobiles accounted for 92.9%, 91.9% and 90.7% of our total revenue during the same periods, respectively.

We sell both imported and domestically manufactured passenger vehicles through our outlets. For 2011, 2012 and 2013, automobiles provided by the portfolio brand companies of the Volkswagen Group, including Porsche, Audi, Volkswagen Imported and Bentley, were the largest revenue source and profit contributor of our new automobile sales business. Sales of these automobiles accounted for 63.2%, 74.2% and 75.3% of our total revenue for 2011, 2012 and 2013, respectively, and the gross profit from sales of these brands accounted for 57.9%, 51.2% and 48.8% of our gross profit during the same periods, respectively.

The following table sets forth a breakdown of the sales volumes and revenue from automobiles sales by brand segment for the periods indicated:

Automobile sales	Year ended December 31,								
	2011			2012			2013		
	Volume	Revenue	Contribution of revenue	Volume	Revenue	Contribution of revenue	Volume	Revenue	Contribution of revenue
	Unit	RMB '000	%	Unit	RMB '000	%	Unit	RMB '000	%
Luxury and ultra-luxury brands	8,137	4,410,970	88.8	12,269	6,122,318	92.5	13,352	6,308,165	93.6
Middle market brand. . .	2,895	556,514	11.2	2,541	496,951	7.5	2,482	431,200	6.4
Total	11,032	4,967,484	100.0	14,810	6,619,269	100.0	15,834	6,739,365	100.0

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Pricing

The retail prices of our new automobiles are mainly determined with reference to the automobile suppliers' wholesale prices and retail pricing guidelines. During the Track Record Period, we complied with the retail pricing guidelines as set by our automobile suppliers. As long as we do not violate the pricing policies of our automobile suppliers, we may adjust the retail prices to promote the sales of certain new automobiles, which are influenced by a variety of factors, including automobile brand and model, market demand, inventory supply and the presence of competing dealerships.

We understand that the suggested retail prices are primarily determined by the cost of the product, the price of a competitive product, brand image and market demand. The automobile suppliers review their pricing models at the very beginning of the development of a new model and revisit the pricing when the development is complete as well as before the formal launch of the model. In addition, the automobile suppliers will consult with us with respect to the suggested retail price of a new model before they formally launch it. We also communicate closely with our automobile suppliers with respect to prevailing market conditions so that they can review and adjust the prices of the automobiles in a timely manner.

For more details regarding the selling prices of the automobiles offered by us during the Track Record Period, please see "Financial Information — Description of Selected Statements of Profit or Loss Line Items — Revenue".

Payment

We usually require our customers to pay a deposit, generally 2% to 10% of the retail price, when placing their orders, and to settle the remaining balance before the automobile is picked up by, or delivered to, the customer. We require our customers to pay us in cash and typically do not offer any credit to our customers for automobile purchases. For fleet sales customers, we usually offer them a credit term from one to three months.

Some of our customers may utilize financing provided by financial institutions. In addition, car financing companies affiliated with automobile suppliers also provide financing to our customers. In each case, we require the customer to make full payment in cash before the automobile is picked up by, or delivered to, the customer.

Return

We do not accept return of or provide warranties for new automobiles sold by us. However, according to the Rules on the Liability for Repair, Replacement and Return of Family Car Products which became effective on October 1, 2013, automobile suppliers are required to provide repair, replacement and return guarantees to new automobiles. We provide the relevant services to the customers and are reimbursed from the automobile suppliers. For more details, please see "Regulatory Overview — Guarantees For Family Car Products". We believe these new rules have expanded the coverage of repairs under a warranty, which will in turn cause an increase in our service volume of repairs under warranty and an increase in revenue generated from after-sales services. However, the actual impact of these new rules on our operations is not yet clear. Please see "Risk Factors — Risks Relating to Conducting Business in the PRC — Any future laws, regulations and rules that impose additional liabilities on automobile dealers could materially and adversely affect our business prospects, financial condition and results of operations".

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We have not experienced any material disputes with our customers in relation to new automobiles sold by us.

SPARE PARTS DISTRIBUTION CENTER

By leveraging our strategic cooperation with the Volkswagen Group and its portfolio brand companies in China, our outstanding local knowledge, management capabilities, outlet network and strong financial condition, we were authorized by FAW-Volkswagen in 2004 to operate its first spare parts distribution center in Northwestern China. This is the only distribution center that stocks and distributes spare parts for the Audi and Volkswagen brands for the after-sales services of dealership outlets in Shaanxi Province, Shanxi Province, Gansu Province, Ningxia and Qinghai Province. This distribution center is located in Xi'an with a total GFA of 15,000 square meters. Our distribution center currently provides over 30,000 types of spare parts.

All spare parts distributed by the distribution centers are provided by FAW-Volkswagen or its contractors. According to the dealership authorization agreements between FAW-Volkswagen and its dealerships, to ensure the high quality of the after-sales services provided by the dealers, the dealerships are required to only use the spare parts provided by the distribution centers. FAW-Volkswagen carries out regular stock checks and audits of its dealerships to make sure all spare parts are provided by the distribution centers.

We have entered into a distribution center agreement with FAW-Volkswagen which has a term of one year and is renewable upon expiration. According to this agreement, the ownership of the spare parts in our distribution center belongs to FAW-Volkswagen, and we provide exclusive warehousing, management and distribution services to FAW-Volkswagen. We are required to follow the logistics management policies governing spare part distribution provided by FAW-Volkswagen. We charge FAW-Volkswagen commission based on the volume of spare parts distributed for the services that we provide on a monthly basis. The dealerships directly settle the purchase of spare parts with FAW-Volkswagen. With the rapid growth of the sales of Audi and Volkswagen in Northwestern China in recent years, the business of our distribution center has achieved significant growth. Our spare parts distribution center generated service income of RMB13.6 million, RMB16.5 million and RMB20.9 million for 2011, 2012 and 2013, respectively, representing a CAGR of 24.0%. We believe this distribution center not only further strengthens our strategic cooperation with the Volkswagen Group and its portfolio brand companies, but also continues to be an important revenue and profit contributor. In addition, by operating this distribution center, we can gain first-hand information on market trends and developments, which enables us to adjust our business plans on a timely basis.

AFTER-SALES SERVICES

We offer after-sales services to customers, including (i) maintenance and repair services and sales of spare parts, (ii) detailing services, and (iii) other value-add services. All of our 4S dealership stores are equipped with comprehensive automobile repair and maintenance facilities and each of them is fully staffed with a team of experienced technicians. All of our 4S dealership stores follow the standard service processes provided by the automobile suppliers.

The high quality of our services has been evidenced by our numerous awards. Shanxi Yingjie was ranked first by Porsche in terms of the sales of TEQ, a special type of accessories, in China in the second half of 2011. In addition, a number of our after-sales service personnel won awards for excellence in service from our automobile suppliers during the Track Record Period.

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As a result of its recurrent and ongoing business nature, we believe we can generate more stable revenue from after-sales services than automobile sales. In addition, the gross margin of after-sales services is much higher than that of automobile sales. The customers of our after-sales services are owners of the automobiles covered by the brand portfolio we offer, including customers who purchase new automobiles from us or from other automobile dealerships. We believe our high quality after-sales platform both improves customer loyalty and brings in new automobile sales opportunities, such as sales of new automobiles through our pre-owned automobile services. We expect after-sales services to grow strongly, which are driven by our rapidly expanding customer base as well as the fast growing number of automobile owners in China.

During the Track Record Period, a majority of new customers who purchased our luxury and ultra-luxury automobiles returned to our 4S dealership stores for maintenance or repair services. The throughput volume of after-sales services increased from 111,513 units for 2011 to 154,641 units for 2012, and further to 170,173 units for 2013. We believe this is attributable to our high quality of services and superior operational capabilities.

For 2011, 2012 and 2013, our revenue generated from after-sales services accounted for 7.1%, 8.1% and 9.3%, respectively, of our total revenue.

The following table sets forth a breakdown of our revenue from after-sales services by brand segment for the periods indicated.

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000, except percentages)					
	Amount	%	Amount	%	Amount	%
Luxury and ultra-luxury brands . . .	339,750	89.2	536,336	91.5	645,914	93.2
Middle market brand	41,170	10.8	49,627	8.5	47,420	6.8
Total	380,920	100.0	585,963	100.0	693,334	100.0

We believe high-quality after-sales services and a high level of customer satisfaction are critical to retaining existing customers and attracting new customers, which will ensure the success of not only our after-sales services, but also our new automobile sales. We place significant emphasis on recruiting, training and retaining skilled technicians and customer service personnel. We require our employees to participate in both the training programs provided by automobile suppliers and our regular internal training programs to enhance their customer service skills.

Maintenance and Repair Services

Our maintenance and repair services are generally charged based on the labor of our technicians and the spare parts used, both of which are determined with reference to automobile suppliers' pricing guidelines. In general, labor and spare parts for luxury and ultra-luxury brands are more expensive than those of other brands. The composition of personnel assigned to each job and their expertise and experience differ according to the nature and complexity of the particular job. As such, to maintain the quality of our services, designated technicians inspect each service job upon completion and our customer service team conducts inspections by calling each of our customers to gauge their degree of satisfaction with our services. We require our customers to pay in cash and typically do not offer any credit term on after-sales services. For fleet sales customers, we usually offer them a credit term from three to six months.

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As certain of our customers live in areas far from our 4S dealership stores, it is not convenient for them to travel to our 4S dealership stores for maintenance and repairs services. As a solution, we provide mobile after-sales services for certain automobile brands, such as Porsche, Audi, Cadillac and Lexus, to our customers in distant areas within our operating areas authorized by the automobile suppliers in Northwestern China. Our mobile after-sales services include maintenance and minor repairs. We believe this service helps us attract new customers, promotes customer loyalty and improves our sales performance.

The automobile suppliers require us to install their proprietary software to record, track and analyze the manpower and spare parts used to perform maintenance and repair services.

Maintenance

Automobiles require periodic maintenance, and recurring automobile maintenance is an ongoing revenue stream for us. Automobile suppliers vary in their recommendations of how frequently automobile owners should schedule maintenance, generally ranging from every three to six months or from 5,000 to 10,000 kilometers. A typical maintenance service check generally includes a routine vehicle inspection and oil change, and may include the replacement of air filters, spark plugs, brake pads, and other parts as well as tire rotation and other adjustments. We typically require our customers to fully pay us for the maintenance services when they pick up their automobiles after the maintenance is completed. We send periodic reminders to automobile owners to schedule subsequent maintenance checks.

In order to promote the sales of automobiles and maintain long-term customer relationships, certain automobile suppliers offer first-time maintenance services on a complimentary basis, for which we are reimbursed by the automobile suppliers for the maintenance services provided by us. These automobile suppliers usually pay us within one month after we submit the reimbursement request.

Repairs

We provide a full range of automobile repair services, ranging from minor repairs such as scratches to major repairs such as post-collision body restoration.

Repairs under warranty

Before the promulgation of the Three Guarantees Rules, we were not required to provide any warranty with respect to the automobiles or other products that we sold. The Three Guarantees Rules came into effect on October 1, 2013. Please see “Regulatory Overview — Guarantees For Family Car Products”. The Three Guarantees Rules provide that automobile sellers, including automobile dealerships, are responsible for providing the repair, replacement and return services to the end-user customers, and the automobile suppliers are ultimately responsible for any quality issues with regard to the automobiles. Once the sellers have performed their obligations under the Three Guarantees Rules, they will be paid for the services provided by them by the automobile suppliers.

Both before and after the promulgation of the Three Guarantees Rules, automobile suppliers generally have not conducted and do not conduct warranty repair services themselves. Instead, they provide in-warranty repair services through 4S dealership stores, and reimburse the dealerships for in-warranty repairs conducted. Historically, the terms of such warranties have varied among different automobile suppliers, but they are generally limited to repairs

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caused by defects in spare parts or workmanship and usually range from three months to six years or from 5,000 to 150,000 kilometers following the sale. However, according to the Three Guarantees Rules, the repair guarantee period for family car products should be no less than the earlier of three years or 60,000 kilometers, and the warranty period should be no less than the earlier of two years or 50,000 kilometers.

Our Directors believe that the Three Guarantees Rules do not impose any material liabilities on us or have any material and adverse effect on our business operations or financial condition. In addition, as these new rules have expanded the coverage of repairs under a warranty, our Directors believe that these new rules will enable us to increase our volume of repairs under warranty and, as a result, increase our revenue generated from after-sales services.

Our reimbursement claims for in-warranty repair services are recorded and submitted to the relevant automobile suppliers through the information technology systems in our outlets that are provided by the automobile suppliers. We generally receive the reimbursements within one to two months after the claims for in-warranty repair services are submitted. We have been reimbursed by the relevant automobile suppliers for all of such costs during the Track Record Period.

Out-of-warranty repairs

We provide out-of-warranty repair services to our customers, including replacement of parts due to wear and tear or repair of damage resulting from collisions or other accidents. Our customers must fully pay for out-of-warranty repairs before they pick up their automobiles. For certain repairs involving substantial costs of labor and spare parts, we may ask the customers to provide down payments.

If the out-of-warranty repair costs are covered by a valid insurance policy and we have arrangements with the respective insurance company, we generally do not require payment from such customer and will submit reimbursement requests directly to the relevant insurance company. The insurance company usually pays us within one to two month after we submit the reimbursement request.

Spare parts

We sell spare parts, such as brake blocks, spark plugs and bumpers, provided by the original automobile suppliers, as well as third party suppliers designated by the original automobile suppliers, to automobile owners.

Warranty provided by us

Under applicable PRC laws, we are required to provide warranties for the repair services that we perform. Under the relevant PRC laws and regulations, automobile repairs are divided into several categories and the mandatory warranty period for each repair varies from the shorter of ten days or 2,000 kilometers (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometers (in the case of major repairs). The warranty period commences from the date the automobile leaves our 4S dealership store. Over the Track Record Period, warranty claims made by our automobile service customers were of an immaterial nature and, accordingly, no provision has been made with respect to such warranty claims.

Detailing

We focus on dealing in luxury and ultra-luxury automobile brands, the customers of which generally place great importance on personalization. In light of the trend of customization, we

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offer detailing services to our customers so that they may possess automobiles distinguishable from others. The detailing services we offer include accessory installation, personalized modification and automobile beauty, all of which are within the permission of relevant PRC laws and regulations and will not affect the intended and safe use of the automobiles by the owners under the relevant PRC laws and regulations.

Accessory installation

We provide accessories such as automobile glass films, including high-strength protective films for the safety of the automobile owners, electronics, such as DVD players, GPS navigators, driving recorders and security systems for the convenience of the automobile owners, and chairs and trimmings for the comfort of the automobile owners.

Personalized modification and automobile beautification

We provide personalized modification services in accordance with the automobile owners' requirements which do not affect the safety or performance of the automobiles. Such services include changing the colors of the chrome-plated film covering the automobile, wheel hub and brake caliper, and changing the leather cover of the interior. We also provide automobile beautification services, including the treatment of paint and internal decoration and installation of luxury trimmings.

We believe our detailing services not only contribute to the growth of our revenue and gross profit, but also promote the growth of automobile sales to customers interested in our detailing services.

We seek to meet the diversified demands of our customers by providing personalized and high quality detailing services. Our target customers of detailing services include not only our existing customers of the luxury and ultra-luxury brands sold by us, but also owners of other luxury and ultra-luxury automobile brands. We plan to further develop our automobile accessories and related products sales business by leveraging luxury and ultra-luxury automobile brands that we offer and our large customer base.

Other value-added services

In addition to after-sales services, we also provide various services to our customers and automobile suppliers. These services do not require material capital expenditures or costs. We offer these services as part of our efforts to improve customer satisfaction and to establish and maintain long-term relationships with our customers.

Automobile insurance agency services, automobile financing services and automobile licensing services

We offer automobile insurance agency services, automobile financing services and automobile licensing services to our customers in most of our 4S dealership stores as a supplement to our automobile sales and after-sales services.

For automobile insurance agency services, we have arrangements in place with independent insurance companies, pursuant to which we promote and distribute the automobile insurance products provided by such automobile insurance companies to our customers and collect the insurance premiums from the customers for the insurance companies at our

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premises. The insurance companies designate us as the service provider for their insurance customers. We have entered into insurance agency agreements with various insurance companies, such as Ping An Property & Casualty Insurance Company of China, Ltd., China People's Property Insurance Co., Ltd., Yong An Property Insurance Company Ltd. and China Continent Property & Casualty Insurance Company Ltd. These insurance agency agreements usually have a term of one to three years, which can be terminated upon mutual agreement or unilaterally if any party breaches the agreement. Our insurance commission fee is based on the premium of the automobile insurance sold at our premises. For 2011, 2012 and 2013, our insurance commission income was RMB5.5 million, RMB25.0 million and RMB27.3 million, respectively.

For automobile financing services, we refer our customers to independent financial institutions, including China Minsheng Banking Corp., Ltd., Shaanxi Wan Cheng Investment Co., Ltd. and Shaanxi Xin Feng Yuan Investment & Guarantee Co., Ltd. We have entered into cooperation agreements with these independent financial institutions, pursuant to which we agreed to refer our customer to them and they agreed to provide automobile financing products to our customers or help our customers obtain automobile financing from other financial institutions. These cooperation agreements typically do not have a definitive term and can be automatically extended upon expiration. Our customers will separately enter into automobile financing agreements with the financial institutions. We do not provide any counter-guarantee for our customers' automobile loans. Our automobile financing commission fee is based on the amounts of the loans referred by us. For 2011, 2012 and 2013, our automobile financing commission income was RMB2.9 million, RMB15.5 million and RMB28.3 million, respectively.

For automobile licensing services, we assist our customers in applying for new automobile licenses on their behalf.

Pre-owned automobile services

As a complimentary service to our customers, we provide pre-owned automobile services to help our customers find purchasers for their pre-owned automobiles and facilitate their purchases of our automobiles. Certain automobile suppliers require outlets to provide pre-owned automobile services to facilitate new automobile sales. We will find an independent purchaser, usually a pre-owned automobile dealer, to purchase the pre-owned car from our customer. Once the pre-owned car is sold, we will enter into a new automobile sales agreement with our customer. Our pre-owned automobile services are subject to the Pre-owned Automobile Measures, and we have been in compliance with the Pre-owned Automobile Measures during the Track Record Period and up to the Latest Practicable Date. For more details, please see "Regulatory Overview — Regulations Relating to the PRC Automobile Industry — Pre-owned Automobile Sales".

Automobile recalls

Our 4S dealership stores assist automobile suppliers in conducting automobile recalls by distributing information to automobile owners and making remedial repairs. Prior to issuing a public recall, the automobile suppliers will generally notify their authorized dealers and provide instructions on how to remedy the problem and respond to frequently-asked-questions from automobile owners.

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Upon notice, we typically contact our customers who may be affected and ask them to bring their automobiles into our 4S dealership stores for repair. In addition to servicing the recalled automobiles we sell, we service recalled automobiles sold by other dealers. We also make remedial repairs to recalled automobiles still in our inventory, if any.

All of the services in relation to automobile recalls provided by us are conducted in accordance with the dealership authorization agreements with our automobile suppliers or according to the requests of our automobile suppliers. Our costs relating to product recalls are generally reimbursed by automobile suppliers within one to two months after we submit the compensation claims, and we have been reimbursed by the relevant automobile suppliers for all such costs during the Track Record Period. King & Wood Mallesons, our PRC legal advisors, have advised us that we are not liable under PRC laws, regulations or rules for the cost associated with automobile recalls.

During the Track Record Period, we received in the ordinary course of our business customer complaints in connection with certain automobile recalls, however, none of these complaints had a material adverse effect on our business and operations, and we were not subject to any legal, regulatory or administrative proceedings related to any automobile recalls. Automobile recalls may have material and adverse impacts on our results of operations, financial condition and growth prospects. For example, in October 2012, Toyota launched a recall program of approximately 7.4 million automobiles around the world for defaults in their power window system. We believe this recall, together with the territorial dispute over the Diaoyu Islands in the East China Sea between China and Japan, partially contributed to the decrease in the sales volumes and revenue of our Lexus and Toyota automobiles in 2012. See “Risk Factors — Risks Relating to Our Business — Any automobile recall could have a material and adverse impact on our results of operations, financial condition and growth prospects”.

The following table sets forth all of the automobile recalls that affected automobiles we sold during the Track Record Period and up to the Latest Practicable Date:

Brand	Model	Affected Component	Recall Date
Ultra-luxury brands			
— Porsche	911 Carrera	Silencer	May 22, 2013
— Porsche	Panamera Turbo S/Civilian	Turbocharger	August 2012 to August 2013
— Porsche	Cayenne (92A) Cayenne S (92A) Cayenne S Hybrid (92A) Cayenne Turbo (92A) Cayenne Diesel (92A)	Locking mechanism for headlight	March 2012
— Porsche	Cayenne (92A)	Front light	February 2012 to February 2013
— Porsche	911 Turbo (997) 911 Turbo S (997) 911 GT3 (997) 911 GT3 RS (997) 911 GT2 RS (997)	Central wheel lock	May 2011 to May 2012
— Porsche	Panamera S Panamera 4S Panamera Turbo	Belt anchoring system for seats side	April 2010
— Bentley	Bentley Arnage (T, R, RL, Final Series) Azure Brooklands	Vehicle logo	November 2010
— Ferrari	FF	Bearing of shafts	May 2012 to November 2012

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Brand	Model	Affected Component	Recall Date
— Maserati	Maserati GT, Maserati President	Panhard rod	May 25, 2013
— Maserati	Gran Turismo S	Differential planet gear	September 2011 to September 2012
— Maserati	GT MC Stradale	Seat belt	April 2012 to October 2012
Luxury brands			
— Volkswagen Imported	Beetle	Synthetic oil	November 25, 2013
— Cadillac	SRX	Cap nut	May 17, 2013
— Cadillac	SRX	Gear-box	December 2011 to December 2012
— Cadillac	CTS	Brake hose front	April 2010
— Lexus	IS	Rain wiper	May 2, 2013
— Lexus	RX400h	Hybrid system	April 9, 2013
— Lexus	RX300	Belt pulley	November 2011
— Lexus	RX300 MCU35L-AWAGKW	Crank pulley	December 2011
— Lexus	RX300 MCU35L-AWAGKW RX300 MCU35L-AWAGKW RX350 GSU35L-AWAGKW	Carpet linking piece	March 2011
— Lexus	GS300 RX300	Rear-end rubber seal of brake master cylinder	November 2010
— Lexus	LX470	Steering axle conjunction	August 2010
— Lexus	LS460/LS460L/LS600hL	Engine inlet/exhaust valve spring	July 2010
— Lexus	LS460L/LS600hL USF41L/UVF46L	Variable gear ratio steering system	June 2010
— Lexus	IS	Window wiper	January 2006 to September 2011
— Audi	Q5	Sunroof	July 2012 to July 2013
Middle market brand			
— Toyota	Prius	Water pump	December 2012
— Toyota	Corolla	Jackshaft	December 2012 to December 2013
— Toyota	RAV4	Cap nut	September 2012 to August 2013
— Toyota	Vios, Corolla and Rav 4	Power window	October 2012
— Toyota	Corolla EX TV7164DLX/TV7164GD/TV7164GMD	Engine computer (ECU) shell	August 2011
— Toyota	Crown Reiz	Rear-end rubber seal of brake master cylinder	November 2010
— Toyota	Hiace	Drive shaft scrap	November 2010
— Toyota	Crown	Engine	July 2010

Automobile survey services

As part of our efforts to improve the quality of our own customer service and to provide market information to automobile suppliers, we conduct customer surveys to collect feedback from our customers on a regular basis. We do not derive any revenue from our automobile survey activities. Our large base of customers allows us to collect valuable market information both for our own use and for automobile suppliers. Some automobile suppliers provide their own questionnaires for the surveys services which are stored in the information technology systems in our 4S dealership stores that they provide. Some of our outlets also prepare periodic market condition reports for the automobile suppliers.

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MARKETING

We utilize a variety of methods to promote our Sunfonda brand image, our dealerships and the products and services we offer to our customers. Our marketing campaigns are organized at three levels, including marketing campaigns of automobile brands, marketing campaigns of our Group under the Sunfonda brand and marketing campaigns at each of our outlets. As of the Latest Practicable Date, we had 568 sales and marketing personnel with an industry experience ranging from one to three years. All of the sales managers and marketing managers at our outlets have passed tests and interviews administered by the assessment centers of the relevant automobile suppliers.

At the beginning of each year, we submit our annual marketing budget and plans for an automobile brand to the automobile supplier. We are required to obtain the automobile supplier's approval before we can carry out the marketing campaigns. We coordinate our sales and marketing campaigns with the campaigns of automobile suppliers by incorporating the themes and elements of the national campaigns of the automobile suppliers. We also participate in the automobile suppliers' marketing campaigns, including new model launches, sponsorships, automobile fan club activities and other events. In particular, due to our strategic cooperation with the Volkswagen Group and its portfolio brand companies, we have been invited as a special guest to high-profile national and local marketing events held by the Volkswagen Group and its portfolio brand companies, such as national and overseas automobile trade fairs.

We strive to associate our Sunfonda brand image with a luxury life style and high-quality services appealing to our target customers. To unify our brand image, our Sunfonda brand has appeared in the events sponsored by us and large-scale automobile trade fairs. We also advertise our Sunfonda brand through outdoor advertisements, distributions of marketing materials at our outlets, radio and television commercials, Internet advertisements and advertisements in newspapers and magazines. Our headquarters is responsible for coordinating regional marketing campaigns and supervises the local marketing campaigns conducted by each of our outlets.

Each of our outlets is staffed with a team of marketing and sales personnel to carry out customized marketing activities. For example, we invite our existing and potential customers to our outlets for in-store promotion events and provide entertainment and complimentary gifts to them. Our sales and marketing teams may also coordinate with our outlets to develop advertising and sales campaigns for certain automobile models with low turn-over rates. Our sales initiatives for these automobiles include gifts, complimentary maintenance service packages and automobile detailing services.

We have established and maintained a database of the information of our customers from which we analyze market trends and customer demand in order to identify opportunities to sell new automobiles or provide after-sales services to our customers. Based on this database, we send our customers personalized telephone calls, short message service, e-mail and mail communications informing them of special promotional events at our outlets, new car models and new services. In addition, we also rely on our existing customers' referral for new business opportunities.

We have won numerous awards for our marketing initiatives, including the Best Practice of Marketing issued to Shaanxi Xinjie by Porsche in China in 2011 and the Marketing Project Bronze Award issued to Shaanxi Sunfonda by Audi in China in 2010. We have utilized directed marketing approaches and reduced our spending on mass media advertising during the Track

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Record Period, which we believe has helped us to control our selling and marketing expenses. As a result, for 2011, 2012 and 2013, we recorded advertising and business promotion expenses of RMB52.8 million, RMB46.1 million and RMB46.3 million, respectively.

Our marketing initiatives include:

Airport VIP lounge

We established a VIP lounge at Xi'an Xianyang International Airport in January 2005. This VIP lounge provides exclusive services to our important customers, such as group customers and long-term customers, which we believe promotes our brand image and reinforces our commitment to service.

Sponsorship

We also sponsored the Euro-Asia Economic Forum hosted by the PRC central government and the United Nations Development Programme in 2005, 2007, 2009, 2011 and 2013, and we were the supplier of automobiles for the forum's honored guests. We believe such sponsorships have successfully promoted our Sunfonda brand across the country.

Customer loyalty program

Based on our large customer base, we launched a customer loyalty program for each of the automobile brands sold by us in January 2012. We believe this program has allowed us to not only identify core customers and generate new business opportunities, but also retain our existing customers and attract potential customers.

Fleet sales

At some of our outlets, we have teams of sales personnel in charge of fleet sales for large business groups, governments and hotels. These sales personnel are responsible for maintaining and developing fleet sales customers. We schedule regular phone calls and on-site visits to understand the needs of these customers. In addition, we provide customized services to our fleet sales customers, such as priority of order placement and pick-up and delivery of the automobile for maintenance and repairs. In addition to these complimentary services, we also provide credit terms exclusively to our fleet sales customers for new automobile purchases and other automobile services. There is no significant difference between the gross margins of fleet sales and sales to individual customers.

For 2011, 2012 and 2013, the revenue generated from fleet sales accounted for no more than 1.5% of our total revenue.

CUSTOMERS

We are devoted to cultivating long-term customer relationships and delivering high-quality services. Our sales, services and marketing initiatives primarily target high net worth and high income customers for ultra-luxury and luxury automobiles. We believe that these customers tend to require premium products and services, are of little price sensitivity and show great brand loyalty. We maintain records of our customers' profiles, including their maintenance and repair history, which we use to schedule calls, conduct surveys and send service reminders.

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Due to the retail nature of our business, our five largest customers contributed less than 1% of our total revenue for 2011, 2012 and 2013. All of our five largest customers are Independent Third Parties. We place great importance on fleet sales, and have launched various campaigns to promote our fleet sales. For more details, please see “— Marketing — Fleet sales”.

None of our Directors, their associates or any current Shareholders with over 5% of the share capital of our Company has any interest in any of our five largest customers, a fact which is required to be disclosed under the Listing Rules.

SUPPLIERS AND PROCUREMENT

Suppliers

Our five largest suppliers are all automobile suppliers that supply new automobiles and spare parts. For 2011, 2012 and 2013, purchases from our top five suppliers accounted for 89.9%, 92.7% and 90.9% of our total purchases, respectively, and purchases from our largest supplier accounted for 29.5%, 36.9% and 37.8%, respectively, of our total purchases during the same periods. All of our five largest suppliers are Independent Third Parties. None of our Directors, their associates or any current Shareholders with over 5% of the share capital of our Company has any interest in any of our five largest suppliers, a fact which is required to be disclosed under the Listing Rules.

For 2011, 2012 and 2013, revenue generated from sales of new automobiles of Bentley, Porsche, Audi and Volkswagen Imported accounted for 68.0%, 80.7% and 83.1%, respectively, of our revenue of automobile sales. See “Risk Factors — Risks Relating to Our Business — Sales of new automobiles manufactured by the Volkswagen Group and its portfolio brand companies generate a significant portion of our revenue”.

We have established long-term relationships with our automobile suppliers. In Northwestern China, we were the first to set up outlets for Cadillac, Porsche, Bentley, Ferrari/Maserati and Hongqi, and among the first dealerships to set up outlets for Audi. As of the Latest Practicable Date, we were the only dealership covering such ultra-luxury automobile brands as Porsche and Ferrari in the region. We believe our strong performance record demonstrates our outstanding capabilities and profound market knowledge of the automobile dealership business in Northwestern China. We believe that our operational capabilities and expertise have helped automobile suppliers gain market share and win customer loyalty in China, and as a result, our automobile suppliers frequently communicate with us with respect to their development strategies in Northwestern China and seek our advice.

Although the automobile suppliers identify and determine new markets to establish new stores and formulate their dealership network expansion plans, their decisions are made based on a number of factors. Automobile suppliers communicate with us to facilitate the formation of their dealership network expansion strategies based on our knowledge of the market, their communication with us and our advice.

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At the end of every year, the sales departments of the automobile suppliers will set forth their annual sales plan and the sales target for each of their dealerships for the following year, based on the sales performance for the current year and the market forecast for the next year. The automobile suppliers discuss with us to understand the market condition and trends before they set forth their annual sales targets for us.

The automobile suppliers review their pricing models at the very beginning of the development of a new model and revisit the pricing when the development is complete as well as before the formal launch of the model. The automobile suppliers will consult with us with respect to the suggested retail price of a new model before they formally launch it. We also communicate closely with our automobile suppliers with respect to prevailing market conditions so that they can review and adjust the prices of the automobiles in a timely manner.

Sales targets

The procurement of our automobiles is determined by annual non-binding sales targets for each of our outlets, which are set by the automobile suppliers at the beginning of each year. At the end of every year, the sales departments of the automobile suppliers will set forth their annual sales plan and the annual sales target for each of their dealerships for the following year, based on the sales performance for the current year and the market forecast for the next year. We understand that these sales targets reflect the automobile suppliers' estimates of the market condition of that year, which are in turn partially based on market research and surveys carried out by the automobile suppliers. The automobile suppliers also discuss with the dealerships, including us, before they set forth their annual sales targets so that they are able to obtain feedback from the dealerships and leverage the dealerships' knowledge of the local markets.

Based on such annual sales targets, the sales departments of the automobile suppliers will prepare monthly sales plans, which cover the models, volumes, colors, engine displacements and specifications of the automobiles to be sold. In accordance with such monthly sales plans, the production departments will formulate the production plans. We also communicate closely with our automobile suppliers to help them understand market conditions on a timely basis and adjust their monthly sales targets as necessary. In the middle of each year, we and the automobile suppliers will evaluate our performance for the first half of the year and may enter into supplemental agreements to adjust the sales targets as necessary.

Although these sales targets are non-binding, achievement of these targets is critical to our success. Automobile suppliers decide the sales volume and models available to our outlets based on their analysis of our historical performance, including whether the sales targets in the previous year or period are met. If our performance exceeds the sales targets, automobile suppliers will allocate more automobiles with more popular models to us, which will in turn improve the results of our operations. During 2012, due to the Japan market sentiment, the sales of Japanese-banded automobiles dropped sharply across the PRC. See “— Industry— Recent Developments”. As a result, for 2012, we did not reach the sales targets of Lexus and Toyota as set forth in early 2012 by the respective automobile suppliers. The automobile suppliers of Lexus and Toyota have acknowledged the changing market condition in 2012 and confirmed that they would not take any action against our Group. Our Directors have confirmed that such incidents have not had any material adverse impact on our operations, including the rebates we received from the automobile suppliers of Lexus and Toyota for 2012 and our relationship with these suppliers. Other than this, all of our outlets reached or exceeded the annual sales targets set by automobile suppliers during the Track Record Period.

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Procurement of new automobiles

We place orders directly with our suppliers. The monthly purchase of new automobiles by an outlet is determined and adjusted by taking into account our current inventories, anticipated customer demands, expected sales trends and the delivery schedule of various automobile models. This helps us to not only optimize the mix of new automobiles and maximize our sales and profitability, but also to improve our relationships with our suppliers.

All of the new automobiles that we sell are purchased in the PRC, regardless of whether they are imported or manufactured locally. Suppliers of domestically manufactured automobiles are PRC-incorporated automobile suppliers, which are Sino-foreign joint ventures of the automobile brands we offer to customers, and suppliers of imported automobiles are PRC-incorporated affiliates of the automobile brands we offer to customers. As a result, we are not required to pay any import or custom duties or tariffs for our automobiles. Because our purchase of new automobiles is mainly based on the product mix in the sales targets provided by the automobile suppliers, we have little discretion when deciding whether to purchase domestically manufactured automobiles or imported automobiles. If any automobile model is out of stock, the lead time required for delivery of the new automobile we sell is typically three to 15 days for new automobile manufactured domestically and typically four to five months for imported new automobiles, especially for ultra-luxury automobiles. For 2011, 2012 and 2013, the cost of sales of new automobiles sold were RMB4,594.3 million, RMB6,300.7 million and RMB6,402.1 million, respectively, with the number of automobiles being sold totaling to 11,032 units, 14,810 units and 15,834 units, respectively, during the same periods.

Rebate

Our overall purchase costs of new automobiles, depending on the rebate policies of the automobile suppliers, can be affected by the rebates we receive from the automobile suppliers based on the units of new automobiles that we purchase or sell.

We believe that it is common practice in our industry for the automobile suppliers to determine their rebate policies, which usually are not subject to negotiation with automobile dealerships. Automobile suppliers typically grant rebates in accordance with their internal policies and guidelines, which are generally determined with reference to the units of new automobiles which automobile dealers purchase or sell, and are further adjusted based on the automobile dealers' performance relative to the sales targets set by automobile suppliers. Automobile suppliers may also grant us additional rebates based on the evaluation of our overall performance, such as customer satisfaction, sales performance and marketing efforts. From time to time, automobile suppliers also offer special rebates for particular models of automobiles. These rebate amounts are settled from time to time according to the different business practices of different automobile suppliers. For 2011, 2012 and 2013, we recorded rebates of RMB71.1 million, RMB175.2 million and RMB226.8 million, respectively, which accounted for 13.8%, 31.1% and 36.4% of our gross profits during the same periods, respectively. During the Track Record Period, most of our rebates were settled by deducting the aggregate purchase price payable by us for subsequent automobile purchase orders, with the rest paid to us in cash.

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Payment

Automobile suppliers typically require us to pay for the procurement of new automobiles in full before we receive the new automobiles. The time lag between our payment to the automobile suppliers and our receipt of automobiles ranges from three to 15 days for domestically manufactured automobiles and five to 20 days for imported automobiles. One automobile supplier provides us with financing through their affiliates with an interest-free credit period of 90 days after we receive the new automobiles. In addition, we can also obtain financing from commercial banks in the form of bank acceptance notes by pledging the new automobiles with the banks.

We purchase new automobiles using a combination of cash and bank acceptance notes. These bank acceptance notes are generally secured by our bank deposits and inventories and are repaid with cash received from customers for their purchases of new automobiles from us. Banks generally require us to deposit approximately 10% to 20% of the amount of the bank acceptance notes issued. Upon the repayment of these bank acceptance notes, which usually have a term of two months, the pledged deposits are released and can be used to secure new bank acceptance notes. As of December 31, 2013, we had bills payable of RMB402.4 million, pledged bank deposits of RMB292.2 million and pledged inventories of RMB113.0 million. As of December 31, 2011, 2012 and 2013, our bills payable was RMB347.4 million, RMB546.9 million and RMB402.4 million, respectively. The significant increases in our bills payable as of December 31, 2012 was attributable primarily to our increased automobile purchases for 2012 as a result of our business growth and network expansion. Our bills payable decreased as of December 31, 2013, primarily because we improved our liquidity position as a result of using bank acceptance notes with shorter terms in 2013.

All of our procurements are settled in Renminbi.

INVENTORY MANAGEMENT

We closely monitor our inventories of new automobiles and spare parts at each of our outlets to achieve a balance of cost efficiency, quality control and timely distribution. We strive to maintain optimal inventory levels of new automobiles and spare parts to meet customer demands while maintaining sufficient inventory levels for the expansion of our outlet network and managing our working capital requirements to finance our inventory. Our outlets generally order their inventory several times a month and plan their inventory purchases for each month with reference to the non-binding sales target set by the relevant automobile suppliers.

Our inventories are procured in accordance with the sales targets set by the automobile suppliers. We understand that these sales targets reflect the automobile suppliers' estimates of the market condition of that year, which are in turn based on market research carried out by automobile suppliers and discussions between automobile suppliers and us, taking into account of the local market conditions and the sales capacities of our outlets. In addition, in the middle of each year, we and the automobile suppliers will evaluate our performance for the first half of the year, and may enter into supplemental agreements to adjust the sales targets as necessary.

We have strict inventory control policies. We require that the average inventory turnover days of an outlet should not exceed 45 days by implementing a number of control measures. The store manager and sales manager of each outlet review the sales and inventory levels of their store on a daily basis to ensure that sales of different automobile models are meeting our expectations and sales targets. In addition, we are in the process of updating our centralized

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ERP system to provide our headquarters with real-time sales and inventory levels of different automobile models at different outlets, which enables our management team to supervise and work with individual stores to manage their sales and inventory levels. This information will be reviewed regularly by our senior management to ensure that our stores are adequately funded and appropriately stocked with inventory. We also consider inventory turnover days an important factor when we evaluate the performance of a store manager, which has direct impact on his or her remuneration.

Moreover, our outlets, together with our sales and marketing teams, may develop advertising and sales campaigns for certain automobile models with low turn-over rates, including gifts and complimentary repair and detailing services. We also have the flexibility, subject to certain restrictions by the automobile suppliers, to adjust inventories across our dealership network, such as transferring automobiles from one outlet to another to respond to market demand. For example, Lexus allows us to transfer new automobiles among the different dealerships. Audi allows us to transfer automobiles among a dealership's outlets within the same region. For Porsche, we are allowed to transfer new automobiles among our outlets within the same region with prior consent from the automobile supplier. If an outlet plans to purchase automobile models with low turnover rates, we will require such outlet to obtain advanced approval from our headquarters. In addition, we keep close communication with automobile suppliers to improve our new automobile mix to cater to market demands and further enhance our inventory management.

During the Track Record Period, pursuant to the policies and requests of our automobile suppliers, in some very exceptional cases, we have sold certain low-turnover models with very small volumes at prices lower than our procurement costs to facilitate the turnover of older models. However, we achieved a positive gross margin from such sales after taking into account the vendor rebates we received. We have obtained confirmations from our major suppliers that they have maintained sound working relationships with us and there are no circumstances which caused or might cause revocation of their dealership authorizations granted to our Group or termination of their cooperative relationships with us. Our Directors are of the view that the dealership authorizations are unlikely to be revoked by the automobile suppliers. Our Directors confirm this has not had any material adverse impact on our results of operations or any material adverse impact on the value of our inventories as of the Latest Practicable Date.

Our average inventory turnover days were 33.5 days, 40.8 days and 38.6 days for 2011, 2012 and 2013, respectively, which was generally shorter than the terms of our letters of credit, bank acceptance notes and interest-free periods of automobile financing. See "Financial Information — Inventory". We had not defaulted upon any repayment of our bank acceptance notes or automobile financing during the Track Record Period.

We aim to maintain a reasonable level of inventory of automobiles, spare parts and automobile accessories at our outlets to timely respond to customer demands. If we overstock inventory, we may be required to increase our working capital and incur additional financing costs. If we understock inventory, we may not be able to satisfy the demands of our customers, which may cause us to forgo revenue and may adversely affect our brand reputation. Please see "Risk Factors — Risks Relating to Our Business — Our business and financial performance depend on our ability to manage our inventory effectively".

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INFORMATION TECHNOLOGY

We monitor the operations of our outlets through a centralized ERP system developed by a third party to achieve effective and efficient customer management, inventory management and employee management and to optimize the allocation of our internal financial, operating and human resources. We are upgrading our ERP system to provide our headquarters with real time information regarding our operations and financial condition such as cash, sales and inventory levels of different automobile models at different outlets, which will enable us to establish an integrated and centralized financing and accounting management system and generate various real-time financial indicators to support our management's decision-making processes. In addition, this system will allow our headquarters to closely monitor the operations of each outlet and improve our budgeting, planning, allocation and control of funds at our Group level and at the individual dealership level, which will further improve our inventory management and reduces our working capital needs.

By leveraging our information technology systems, we have established a comprehensive database across key areas of our businesses. For example, our information technology system collects information about potential and existing customers, such as telephone calls, on-site visits to our outlets or attendance at promotional events, as well as automobile purchases from our outlets 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 personalized communications and services for them on an individual basis.

INTELLECTUAL PROPERTIES

We consider our trademark “新豐泰” and “SFD” important to our business operations. For more details, please see “Statutory and General Information — Further Information about Our Business — Intellectual Property Rights of Our Group” in Appendix V to this prospectus.

EMPLOYEES

We view our experienced, dedicated and innovative employees as critical to our success. We dedicate significant resources to personnel recruiting, training and promotion. We offer attractive remuneration packages, including competitive fixed salaries plus performance-based bonuses.

Our management team includes outlet managers and managers from various departments at our headquarters. They have extensive expertise and experiences in the automobile dealership business in China. Approximately 51% of them possess undergraduate degrees or above, and approximately 35% of them majored in automobile related studies. Our management team has remained relatively stable since our inception, and our management members' average length of time working with us is more than seven years.

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As of the Latest Practicable Date, we had a total of 2,251 full-time employees with various job functions as set forth below:

Job Function	Number of Employees	Percentage of Total
Management	193	8.6%
Administrative	332	14.8%
Automobile Sales and Marketing	568	25.2%
Automobile Services	1,044	46.4%
Finance and Accounting	114	5.0%
Total	2,251	100.0%

The following table sets forth our employees by location as of the Latest Practicable Date:

	Number of employees	Percentage of total
Shaanxi	1,716	76.2%
Jiangsu	208	9.2%
Inner Mongolia	72	3.2%
Shanxi	115	5.1%
Gansu	54	2.4%
Ningxia	86	3.8%
Total	2,251	100.0%

We have sound relationships with our employees. During the Track Record Period, we have not experienced any strikes, work stoppages or significant labor disputes and we have not experienced any significant difficulties in recruiting or retaining our qualified staff.

Hiring

When we make hiring decisions, we take into account factors such as our development strategies, our expansion plans, the industry trends, the competition environment and our competitors. We usually work with recruitment agencies to identify candidates for senior positions. We also use professional online recruitment websites and newspapers to distribute hiring information. In addition, we have entered into hiring arrangements with several vocational schools and colleges.

Training

We provide regular training courses to our employees to improve their skills and professional knowledge as well as to keep them updated on new developments in their jobs at both the outlet level and the group level. Our outlets hold regular training programs, covering such topics as product knowledge and sales and service skills.

We also provide on-the-job training to our employees. For example, we frequently arrange for new joiners to work at our established outlets for training by leveraging the accumulated operational expertise and know-how in our network. In addition, we have implemented a mentorship program in which we assign experienced employees familiar with our products and policies to train new joiners for a period of at least three months.

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In addition to our internal training programs, automobile suppliers require our employees to attend mandatory training programs provided by them. For example, before the launch of a new outlet, the automobile suppliers require all of the key personnel of the outlet, such as the outlet manager and the chief technician, to attend their training programs and obtain their certification.

Moreover, as we have a diversified portfolio of automobile brands, we are able to offer our employees opportunities to work with different automobile brands, which we believe contributes to our employee retention rates.

Promotion and incentives

We place significant emphasis on internal promotion as a means of offering long-term career development and performance incentives to our employees.

We believe internal promotion is an important way to promote employee satisfaction, which in turn enables us to improve service quality, enjoy a low turnover rate and remain competitive. We have established a system to identify and promote talented employees by comprehensive evaluation, such as sales performance, training and testing results, business and technical skills and customer satisfaction. We often rotate our employees to different stores, which offers them long-term career development and performance incentives, and allows us to leverage the skills and know-how of our more experienced employees at our new stores. Over 80% of our outlet managers were internally promoted.

We offer attractive remuneration packages, including competitive fixed salaries plus performance-based bonuses. We offer our automobile sales and marketing staff as well as automobile services staff performance-based bonuses by taking into consideration their sales or revenue contribution, technical skills, customer satisfaction degrees and other assessments of their performance based on the nature of their work. These performance bonuses are calculated on a monthly basis. Our employees are subject to regular job reviews which determine their promotion prospects and compensation. To maintain consistent service quality across our growing network, we conduct site visits, including unscheduled visits and mystery shopper surveys, to our outlets to monitor their operations.

OUR PROPERTIES

We have constructed a large portion of our outlets on premises to which we own the land use rights which, in the view of our Directors, places us in a stronger position to apply for new dealership authorization from automobile suppliers compared with competitors with outlets on leased premises. As of the Latest Practicable Date, we owned 19 properties in the PRC, and owned one property in Hong Kong. As of the Latest Practicable Date, we leased 18 properties in the PRC.

Among these owned and leased properties, 26 of them are considered important to us as we operate outlets and spare parts distribution center thereon, which altogether contributed substantially all of our revenue during the Track Record Period. For details of such properties, please see the section headed “Statutory and General Information — Further Information about Our Business — Material Properties” in Appendix V to this prospectus.

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Owned properties

As of Latest Practicable Date, we owned 15 completed properties with an aggregate gross floor area of 104,703 square meters, one property under construction with a site area of 13,348 square meters and three properties for future development with an aggregate site area of 59,983 square meters in the PRC which were vacant as of the Latest Practicable Date. We also own one completed property in Hong Kong with a gross floor area of 66 square meters which is used as an office.

The following table sets forth the breakdown of our 19 owned properties in the PRC by provinces and municipalities as of Latest Practicable Date:

Provinces and Municipalities	Number of Properties
Completed Properties	
Shaanxi	11
Inner Mongolia	2
Gansu	1
Jiangsu	1
Subtotal.	15
Properties under construction	
Jiangsu	1
Subtotal.	1
Properties for future development	
Jiangsu	2
Beijing	1
Subtotal.	3
Total	19

14 of our 15 completed owned properties are primarily used for outlets, with a range of gross floor area from 513 square meters to 23,913 square meters. The remaining one completed owned property is used as our spare parts distribution center and has a gross floor area of 14,706 square meters.

We own two parcels of land located in Jiangsu Province with an aggregate site area of 23,229 square meters, and will use those parcels of land to construct a Volkswagen Imported automobile showroom and for future development, respectively. We have obtained the land use right certificates for those two properties. We purchased one parcel of land with a site area of 36,754 square meters located in Beijing which will be used to construct an Audi automobile 4S dealership store. We have paid in full the land premium and are in the process of obtaining the land use right certificate. Our PRC legal advisors, King & Wood Mallesons advised us that there are no material legal impediments which will keep us from obtaining the land use right certificate.

As of the Latest Practicable Date, certain of the properties we own have title defects:

We own one property in Xi'an with a gross floor area of 1,500 square meters ("**Owned Property 1**"), representing 1.4% of the aggregate gross floor area of the properties that we own. Owned Property 1 is used as a vehicle pre-inspection site and a parking lot for vehicles to be repaired and is not crucial to our operations. The property carries a book value of RMB349,584. It was constructed without obtaining construction approvals, and we have not obtained the building ownership certificate. The current use for commercial purpose is in compliance with the

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designated usage of the relevant land. However, its design and construction is not completely consistent with the construction plan as a result of our misunderstanding. Based on the written confirmation issued by the Weiyang Branch of the Planning Bureau of Xi'an (西安市規劃局未央規劃分局), Owned Property 1 is in compliance with the general planning of both Xi'an City and Weiyang District. We have been advised by King & Wood Mallesons that we may be required by the government authorities to obtain the construction approvals and the building ownership certificate, pay the penalty or demolish the ancillary building within a certain period. We have applied to the Weiyang Branch of the Planning Bureau of Xi'an and the Construction Bureau of Weiyang District, Xi'an City (西安市未央區建設局) for the relevant approvals and certificate. However, it is uncertain when the relevant approvals and certificate will be obtained based on our communication with the relevant government authorities. In the mean time, we have obtained a confirmation from the Weiyang Branch of the Planning Bureau of Xi'an, a competent authority, indicating that Owned Property 1 is in compliance with the general planning of both the Xi'an City and the Weiyang District. Based on such confirmation, King & Wood Mallesons is of the view that our ability to use Owned Property 1 will not be adversely affected. We have explored and believe alternative sites are available in the nearby areas. Should we be asked to relocate the relevant business activities from Owned Property 1 to other alternative places, the cost for renting similar premises to carry out the relevant operations on Owned property 1 would be between RMB50,000 and RMB100,000 per annum, and there would be no material adverse effect on the business or financial condition of our Group to relocate the relevant operations taking into consideration its ancillary nature, the immaterial book value of the property and the additional rental costs.

We have obtained the building ownership certificate for a spare parts distribution center located in Xi'an ("**Owned Property 2**") in 2006 with a gross floor area of 14,706 square meters, representing 14% of the aggregate gross floor area of the properties that we own. However, based on the general planning of the local government, the designated use of the land where the building is located was changed to residential, which is different from our current use, in 2010 after the construction of the property had already been completed and the property had been put into use. Our use of Owned Property 2 was originally in compliance with the previous designated use of the relevant land before the change, and the current title defect resulted from the authority's request to change the usage of the land. No compensation was received by us for the change of the usage of the land. Instead, we paid an additional land grant premium of RMB4,139,540 for the change of land use. As advised by King & Wood Mallesons, we may (i) be required to change the use of Owned Property 2 to a warehouse or re-apply for the relevant certificates within a certain period and adjust the land premium, and (ii) be subject to fines; furthermore, the land use rights may be withdrawn without compensation. Gaoling County Planning and Housing Security Bureau (高陵縣規劃建設和房屋保障局), a competent authority, has (i) confirmed the historical change of the designated usage of the land; (ii) acknowledged our current use of Owned Property 2; and (iii) confirmed that it will not impose any punishment on us for our use of the land. As such, King & Wood Mallesons is of the view that our ability to use Owned Property 2 will not be adversely affected.

No revenue generated from our owned properties with defective titles was recorded for the years ended December 31, 2011, 2012 and 2013 as these properties have been used for ancillary operations.

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Leased properties

As of Latest Practicable Date, we leased 18 properties in the PRC with an aggregate gross floor area of 53,491.01 square meters. The following table sets forth the breakdown of our 18 leased properties in the PRC by provinces and municipalities as of Latest Practicable Date:

Provinces and Municipalities	Number of Properties
Shaanxi ⁽¹⁾	8
Jiangsu ⁽²⁾	3
Shanxi	3
Beijing	2
Ningxia	2
Total	18

Notes:

(1) We leased one property in Shaanxi Province with a site area of 20,593 square meters for future development.

(2) We leased one property in Jiangsu Province with a gross floor area of 350 square meters for future development.

14 of our leased properties are used or will be used for 4S dealership stores and showrooms, with a gross floor area ranging from 350 square meters to 12,000 square meters. The remaining four leased properties are used as offices, with an aggregate gross floor area of 768.95 square meters. Among these properties:

We leased five properties with an aggregate gross floor area of 7,628 square meters, representing 14.3% of the aggregate gross floor area of our leased properties. Two of these properties are located in Xi'an, and one of these properties is located in Taiyuan, on which we operate three automobile showrooms on the relevant properties ("**Leased Property 1**", "**Leased Property 2**" and "**Leased Property 3**"). One of these properties is located in Yinchuan, and we operate one 4S dealership store on this property ("**Leased Property 4**"). We plan to open one automobile showroom in the remaining one property which is located in Xi'an ("**Leased Property 5**"). As at the Latest Practicable Date, the relevant lessors have not provided to us the copies of the relevant title certificates for these leased properties. We are advised by King & Wood Mallesons, our PRC legal advisors, that our lease agreements may be deemed invalid if the lessors failed to obtain valid title certificates, and should disputes arise due to any title defects of these leased properties, our entitlements to use the properties according to the relevant lease agreements may be adversely affected. We have requested the relevant lessors to obtain the building ownership certificates as soon as possible, and all the relevant lessors have agreed to indemnify us for any potential liabilities we would incur as a result of the title defects (including but without limitation to penalties and fines imposed by the relevant PRC authorities) under the lease agreements or their respective confirmations to us. We have been advised by King & Wood Mallesons that we will have the right to seek compensation from the lessors pursuant to the relevant lease agreements or confirmations from the relevant lessors. We are of the view that most of these leased properties can, if necessary, be replaced by other comparable alternative premises without having any material adverse effect on our business or financial condition.

We leased one property with a gross floor area of 3,705 square meters ("**Leased Property 6**"), representing 6.9% of the aggregate gross floor area of our leased properties. The property is located on a State-owned allocated land, and the lessor has not obtained approval from the competent authority for leasing the site to us. Leased Property 6 is located in Taiyuan, and we operate a 4S dealership store and plan to open another 4S dealership store on such property in the future. As advised by King & Wood Mallesons, there is no specific provision regarding the

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penalties to the tenant under the PRC laws and regulations, however, we might need to relocate the relevant operations if the lessor is challenged by local authorities for the absence of the relevant approval. Our lessor has agreed to indemnify us for any potential liabilities we would incur as a result of the above defects, and against any costs, expenses and operating or business losses (including but without limitation to penalties and fines imposed by the relevant PRC authorities) arising from the relocation of the business or assets from such property. We have requested the lessor to apply to the relevant government authorities to resolve any irregularities as soon as possible. In addition, we obtained a confirmation from Taiyuan City Land and Resources Bureau (太原市國土資源局), a competent authority, that our use of land is not invalid. Based on such confirmation, King & Wood Mallesons is of the view that our ability to use this property will not be adversely affected.

We leased one property with a gross floor area of 12,000 square meters (“**Leased Property 7**”), representing 22.4% of the aggregate gross floor area of our leased properties and a parcel of land with a site area of 20,593 square meters (“**Leased Property 8**”). These two properties are located on collectively-owned land, and the lessors are not permitted to lease the sites for non-agricultural or commercial use under applicable PRC laws and regulations. Leased Property 7 is located in Yan’an, and we operate a 4S dealership store on such property. Leased Property 8 is located in Yulin, and we hold such property for future development. As advised by King & Wood Mallesons, the maximum penalties or liabilities to which we may be subject to is an order of rectification within a time limit prescribed by the local authorities, confiscation of the illegal income generated and a fine at an amount prescribed by the authorities. Our lessors have agreed to indemnify us against any costs, expenses and operating or business losses (including but without limitation to penalties and fines imposed by the relevant PRC authorities) arising from the relocation of the business or assets from such property. We have requested the lessor to apply to the relevant government authorities to resolve any irregularities as soon as possible. In respect of Leased Property 7, Chengqu Branch of Yan’an Land and Resource Bureau (延安國土資源局城區分局), a competent authority, issued an approval confirming that such use of land is in compliance with the general planning for land use. In respect of Leased Property 8, we have obtained a confirmation from Hengshan County Land and Resources Bureau (橫山縣國土資源局), a competent authority, that we may operate on this property without punishment imposed by them, and they will assist us in relocating our operating premises if we cannot continue our operation on this property. Based on such confirmations, King & Wood Mallesons is of the view that our ability to use these two properties will not be adversely affected.

We record revenue from our leased properties with defective titles which amounted to RMB418.1 million, RMB881.0 million and RMB961.4 million for the years ended December 31, 2011, 2012 and 2013, representing 7.8%, 12.2% and 12.9% of our total revenue for the relevant periods, respectively.

Our Directors consider the aforementioned properties collectively to be crucial to our operations as we operate some of our 4S dealership stores thereon. We consider our land reserve to be one of the key factors to the continuous growth of our automobile dealership business in the long run. However, our Directors are of the view that, factors such as brand portfolio, relationships with automobile suppliers, store design and layout, the types of services offered, the quality of services provided and management are more important in terms of attracting customers and generating revenue than the locations of our 4S dealership stores.

Given that our outlets are mostly located in sub-urban areas where comparable properties are generally available for our relocation at low cost, and given the fact that our Controlling Shareholders and the lessors of our defective leased properties have agreed to indemnify us for

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any potential liabilities, losses and/or relocation costs resulting from the defective titles, and taking into account the various confirmations from competent authorities and the legal advice provided by our PRC legal advisors as disclosed above, our Directors are of the view that the defects in the properties owned or leased by us will not have material adverse impact to our business.

Based on information currently available, our Directors have assessed the possibility of relocating our businesses on properties with defective titles. They have estimated that the total costs and expenses for such relocation will not exceed RMB9 million. We expect that, in the event that any relocation is required, the relocation will have minimal impact on the operation of the stores. Our Directors have also estimated that the relocation process for any outlet will not exceed 30 days and do not expect it to cause a material disruption to the business of the outlets.

For more details regarding the deed of indemnity entered into by our Controlling Shareholders, please see the paragraph entitled “Statutory and General Information — Other Information — Tax and other indemnities” in Appendix V to this prospectus. Please also see the paragraph entitled “Risk Factors — Risks Relating to Our Business — There are defects in our titles of or rights to use certain properties” in this prospectus for details regarding the risks associated with properties affected by defects in title.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Company’s interests in land or buildings, for the reason that as of December 31, 2013, each of our properties has a carrying amount below 15% of our consolidated total assets and the leased properties are considered to have no commercial value.

COMPETITION

The automobile dealership industry in China is highly fragmented. According to ACMR, the top ten automobile dealership groups in China accounted for approximately 17.4% of the total revenue of the passenger automobile market in 2012.

We compete against other dealership groups, including those selling the same brands of automobiles as us, for dealership authorization rights, prime store locations, capital to finance expansion and inventory, customers of automobile sales and services as well as management personnel and skilled employees. Our dealership business is also affected by competition among the automobile suppliers and their brands in terms of quality, design and price.

According to ACMR, the luxury and ultra-luxury automobile market in Northwestern China is highly competitive. As of December 31, 2013, there were 126 luxury and ultra-luxury outlets in Northwestern China, among which the five largest dealerships in terms of the number of luxury and ultra-luxury outlets operated 70 luxury and ultra-luxury outlets, accounting for 55.6% the total number of luxury and ultra-luxury outlets in the region. As of the Latest Practicable Date, we were the only dealership of Porsche and Ferrari/Maserati in Northwestern China.

Beijing is the traditional stronghold for ultra-luxury and luxury passenger vehicles in the PRC, with a well-developed economy and residents with high incomes. As of December 31,

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2013, there were a total of 150 luxury and ultra-luxury brand dealership outlets in Beijing, among which 20 were ultra-luxury outlets covering 12 brands. As of December 31, 2013, Beijing was the third largest market of ultra-luxury automobiles in terms of the number of dealership outlets in China, only following Zhejiang Province and Guangdong Province.

The luxury and ultra-luxury automobile market in Jiangsu Province is highly competitive. As of December 31, 2013, there were 273 luxury and ultra-luxury automobile outlets in Jiangsu Province, which made it the third largest market in China, after Zhejiang Province and Guangdong Province. Suzhou ranked sixth among all cities in the PRC in terms of GDP in 2012, and is the largest market for passenger vehicles in Jiangsu Province. The economy of Yangzhou has experienced rapid growth in recent years. As of the Latest Practicable Date, we operated one Volkswagen Imported 4S dealership store in Suzhou and plan to open two new outlets in Suzhou and one new outlet in Yangzhou. As of December 31, 2013, there were a total of 41 luxury and ultra-luxury automobile dealership outlets in Suzhou and 12 luxury and ultra-luxury automobile dealership outlets in Yangzhou.

The major after-sales service providers in China include 4S dealership stores, small-scale service centers and franchises. ACMR expects that 4S dealership stores will become the dominant after-sales service provider in China. As the purchasing power of customers expands over time, the aftermarket service business is expected to be a more significant contributor to the profits of dealership groups.

As a leading luxury and ultra-luxury-branded automobile dealership group in Northwestern China with a proven track record of consistently improving performance, we believe we are well positioned to take advantage of opportunities in the growing luxury and ultra-luxury passenger automobile market in China in order to meet our competition.

INSURANCE

We carry insurance which covers such risks as loss and theft of, and damage to, property such as our fixed assets and inventories at our outlets, and losses due to fire, flood and a broad range of other natural disasters. Our insurance policies generally exclude earthquakes. We do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business. Neither do we maintain any insurance coverage for business interruption due to the limited coverage of any business interruption insurance in China. We believe our insurance coverage is adequate and in line with industry practices in China. However, significant uninsured damage to any of our properties, inventory or other assets could have a material and adverse effect on our results of operations. For further information, see the section headed “Risk Factors — Risks Relating to Our Business — Our insurance coverage may be inadequate to protect us from certain types of losses”.

LEGAL AND COMPLIANCE

Our Directors have confirmed that, during the Track Record Period, there were no litigation or arbitration proceedings, and, to their best knowledge, they are not aware of any pending or threatened litigation or arbitration proceedings against us or any of our Directors which had or could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Our Business — Any failure by us or our automobile suppliers or other suppliers to comply with applicable laws, regulations and rules may adversely affect our business” for further information.

During the Track Record Period, we had a number of incidents of non-compliance.

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PRC Non-Compliance Incidents

No.	Non-compliance incidents	Remedial measures	Possible legal consequences and impact
1.	<p>Pursuant to the applicable PRC laws, regulations and rules, a foreign-invested enterprise engaging in the automobile maintenance and repair business must obtain the Project Initiation Approval from the Ministry of Transport, and must submit the Project Initiation Approval in order to apply to the local department of the Ministry of Transport for a Road Transport License for its automobile maintenance and repair business.</p> <p>Five of our PRC subsidiaries, namely Shaanxi Sunfonda Boao, Yan'an Sunfonda Boao, Ordos Sunfonda Kaisheng, Ordos Sunfonda Xinjie and Lanzhou Sunfonda, and our former subsidiary Yangzhou Sunfonda, had historically carried out automobile maintenance and repair businesses without obtaining Project Initiation Approvals and Road Transport Licenses.</p>	<p>All of these subsidiaries obtained their respective Project Initiation Approvals and Road Transport Licenses by June 2013. We have also obtained written confirmations from the relevant local transport authorities, namely the Xi'an Automobile Maintenance and Repair Administration Department (西安市汽車維修行業管理處), the Yan'an Transportation Bureau (延安市交通運輸局), the Ordos Transportation Administration Department (鄂爾多斯市交通運輸管理處), the Transportation Bureau of Yangzhou (揚州市交通運輸局) and the Lanzhou Transportation Bureau (蘭州市交通運輸局), that these subsidiaries can provide automobile maintenance and repair services before the relevant Project Initiation Approvals and the Road Transport Licenses have been obtained. In addition, the Xi'an Automobile Maintenance and Repair Administration Department, the Ordos Transportation Administration Department and the Transportation Bureau of Yangzhou have confirmed in writing, respectively, that they will not penalize Shaanxi Sunfonda Boao, Ordos Sunfonda Kaisheng, Ordos Sunfonda Xinjie or Yangzhou Sunfonda for such non-compliance incidents. King & Wood Mallesons, our PRC legal advisors, have confirmed that the relevant local transport authorities are competent to issue such confirmations.</p> <p>We disposed of Yangzhou Sunfonda to Mr. Zhao in June 2013. According to an agreement entered into between Sunfonda HK, Mr. Zhao and Yangzhou Sunfonda in October 2013, Mr. Zhao and Yangzhou Sunfonda have undertaken to us that (i) in addition to the undertakings in item (ii) below, they will not bring any claim against our Group should there be any penalties imposed by the relevant government authorities due to the historical non-compliance incidents, including Yangzhou Sunfonda historically carrying out automobile maintenance and repair business without obtaining the Project Initiation Approval and the Road Transport License, and (ii) they will fully reimburse us for any penalties imposed on us or losses incurred by us due to the historical non-compliance incidents in connection with the undertakings mentioned in item (i) above.</p> <p>Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company, whereby they have agreed to indemnify our Group from and against, among others, any costs, expenses, losses, claims, damages, actions or proceedings which any member of our Group may suffer as a result of, or in connection with, such non-compliance incidents.</p>	<p>King & Wood Mallesons, our PRC legal advisors, have advised us that, according to the Road Transportation Regulations (道路運輸條例), any income generated from such unauthorized business may be confiscated and a fine ranging from two to ten times of such income may be imposed. We have not been punished for these non-compliance by any relevant governmental authority. King & Wood Mallesons have further advised us that the Road Transportation Regulations do not specify whether such income refers to revenue or net profit, and that the final amounts of the income and the fines are subject to the determination of the competent road transportation authorities.</p> <p>King & Wood Mallesons have advised us that, based on the confirmations issued by the Xi'an Automobile and Repair Administration Department, the Ordos Transportation Administration Department and the Transportation Bureau of Yangzhou, it is unlikely that we will be penalized by such governmental authorities for the non-compliance incidents of three of our PRC subsidiaries and Yangzhou Sunfonda. For the remaining two subsidiaries, although the Yan'an Transportation Bureau and the Lanzhou Transportation Bureau have not confirmed that we will not be penalized, based on the fact that (i) these authorities were aware of the non-compliance incidents and confirmed that we could provide automobile maintenance and repair services before the relevant approvals and licences were obtained; (ii) we have obtained the Project Initiation Approvals and the Road Transport Licenses; and (iii) we have not been penalized by these authorities for such non-compliance incidents, King & Wood Mallesons are of the view that it is unlikely that we will be penalized by these two governmental authorities for such historical non-compliance of two of our PRC subsidiaries.</p>

OUR BUSINESS

No.	Non-compliance incidents	Remedial measures	Possible legal consequences and impact
2.	<p>According to PRC laws and regulations, a foreign-invested automobile dealership company must obtain the approval from the NDRC or its local branch before it can commence the construction and operation of its foreign-invested project. Yangzhou Sunfonda, a former subsidiary of our Group, commenced operations without NDRC approval.</p>	<p>We disposed of Yangzhou Sunfonda to Mr. Zhao in June 2013. According to an agreement entered into between Sunfonda HK, Mr. Zhao and Yangzhou Sunfonda in October 2013, Mr. Zhao and Yangzhou Sunfonda have undertaken to us that (i) in addition to the undertakings in item (ii) below, they will not bring any claim against our Group should there be any penalties imposed by the relevant government authorities due to the historical non-compliance incidents, and (ii) they will fully reimburse us for any penalties imposed on us or losses incurred by us due to the historical non-compliance incidents in connection with the undertakings mentioned in item (i) above.</p> <p>We believe that the business of Yangzhou Sunfonda will not compete directly or indirectly with the business of our Group for the following reasons: (i) we currently do not operate or intend to open outlets for Volkswagen Imported in Yangzhou; (ii) pursuant to the requirement of Volkswagen Imported, Yangzhou Sunfonda is only allowed to conduct sales to companies located in Yangzhou and resident individuals in Yangzhou based on their identification; and (iii) our subsidiaries, including those operating outlets in Suzhou and Wuxi are subject to similar requirement of designated regions to carry out their automobile sales businesses. Therefore, the customers and target markets of Yangzhou Sunfonda are completely separate from those of our Group.</p>	<p>King & Wood Mallesons, our PRC legal advisors, have advised us that there are no explicit provisions regarding the penalties and the procedures for the punishment regarding lack of approval for foreign invested projects from the NDRC or its local branches under current PRC laws and regulations. Yangzhou Sunfonda has not been punished for its lack of NDRC approval by any relevant governmental authority.</p> <p>King & Wood Mallesons, our PRC legal advisors, have confirmed that (i) the undertakings by Mr. Zhao and Yangzhou Sunfonda are valid and legally binding under PRC law; (ii) based on these undertakings, Mr. Zhao and Yangzhou Sunfonda are not entitled to bring any claim against our Group for any penalties imposed on them by competent government authorities or any other losses incurred by them due to the historical non-compliance incidents; and (iii) based on these undertakings, we are entitled to full reimbursement from Mr. Zhao and Yangzhou Sunfonda for any penalties imposed on us or losses incurred by us due to the historical non-compliance incidents.</p>

OUR BUSINESS

The non-compliance incidents relating to our PRC subsidiaries summarized above were primarily due to our reliance on communication with, and verbal and written confirmations from, relevant local authorities regarding our commencement of the relevant operations. As the relevant authorities are the competent authorities responsible for our application of the necessary approvals, permits and licenses and are responsible for imposing any penalties, after receiving their verbal or written confirmations, we have reasonable grounds to believe that such confirmations represented the authorities' view or consent and should be reliable as the basis for us to commence the relevant construction or operations. However, as advised by King & Wood Mallesons, such verbal and written confirmations from local authorities are not sufficient to exempt us from the relevant legal requirements. We have made significant efforts to rectify such non-compliance incidents. To avoid any non-compliance incidents from reoccurring in the future, we have enhanced our regulatory compliance measures. For details, please refer to “— Risk Management — Internal Control”.

Based on the measures undertaken as set out above, and in light of the remedial actions taken, and considering that the Group has adopted substantially all of the recommendations made by the Internal Control Consultant, our Directors believe, and the Sole Sponsor concurs, that the enhanced internal control measures are adequate and effective to ensure future compliance with PRC laws, regulations and rules, and they are not aware of any facts or situations that might affect the suitability of our Directors and our suitability for listing.

Our Controlling Shareholders have entered into the Deed of Indemnity in favor of us, whereby they have agreed to indemnify our Group from and against, among others, any costs, expenses, losses, claims, damages, actions and proceedings which any member of our Group may suffer as a result of, or in connection with, the above non-compliance incidents.

Based on confirmations received from competent authorities, the rectifications we have carried out, the undertakings from Mr. Zhao and Yangzhou Sunfonda, the legal advice from our PRC legal advisors and the indemnity provided by our Controlling Shareholders, our Directors are of the view that there is unlikely to be any material adverse impact on our operations and it is unnecessary to make any provision for these non-compliance incidents.

King & Wood Mallesons, our PRC legal advisors, have confirmed that during the Track Record Period and up to the Latest Practicable Date, and save as described in this prospectus, we have complied with all applicable PRC laws, regulations and rules in all material respects, and have obtained all licenses, approvals and permits from the appropriate regulatory authorities that are material for our business operations in China.

Our Directors are of the view that it is very unlikely that our dealership authorizations will be revoked by our automobile suppliers due to the non-compliance incidents as disclosed in this prospectus, and none of our dealership authorizations have ever been revoked in the past due to any non-compliance incidents. Since our inception, none of our dealership authorization agreements have been terminated by automobile suppliers, and we have been able to renew all of our dealership authorization agreements before or upon expiration. In addition, we have obtained written confirmations from our major suppliers that they maintain a good working relationship with us and there are no circumstances which might cause them to (i) revoke their dealership authorizations granted to us, or (ii) terminate their cooperation with us. Our Directors are of the view that the dealership authorizations are unlikely to be revoked by the automobile suppliers.

OUR BUSINESS

Hong Kong Non-Compliance Incident

Non-compliance incidents	Brief explanation and remedial measures	Possible legal consequences and impact
The audited financial statements which were presented before Sunfonda HK at its annual general meetings held from 2000 to 2011 (both years inclusive) were made up to a date which was more than nine months before the respective dates of the meetings, and Sunfonda HK failed to submit its audited financial statements to its shareholder at its annual general meeting held in 2012. These were in breach of section 122 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.	<p>As advised by Ms. Chiu, a director of Sunfonda HK, such non-compliance occurred inadvertently due to the failure of Sunfonda HK's professional secretarial firm to advise Sunfonda HK appropriately regarding its accounting and corporate secretarial obligations under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Company is in the process of selecting other candidates to replace the above secretarial firm and plans to complete this before its listing.</p> <p>To rectify such non-compliance, Sunfonda HK obtained an order from the Court of First Instance of the High Court of Hong Kong on August 1, 2012, which extended the statutory period to include the respective dates on which each of the relevant financial statements were submitted to the shareholder.</p>	<p>Mr. Wu and Ms. Chiu, executive Directors of our Company, have been directors of Sunfonda HK since 1997, and Mr. Zhu Wei, a non-executive Director of our Company, has been a director of Sunfonda HK since 2011.</p> <p>As advised by a Hong Kong law firm, the directors of Sunfonda HK were in breach of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong. The court's order does not necessarily absolve the directors of wrongdoing, and in a worst case scenario, the directors will be subject to a fine of HK\$300,000 and 12 months imprisonment. However, the Hong Kong law firm advised that possibility of the directors of Sunfonda HK being prosecuted was low given the remedial action and the fact that there was no evidence of any prejudice caused to the shareholders.</p>

To ensure future compliance with the Companies Ordinance, our Company Secretary, Ms. So Yee Kwan, who is a Chartered Secretary and an Associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, will, together with the Board and our legal advisors, oversee the compliance matters of our Group, including Sunfonda HK. An audit committee has also been established to review and supervise the financial reporting process and internal control system of our Group. Our Directors are of the view that such measures will enable our Group to avoid any future non-compliance with the Companies Ordinance.

RISK MANAGEMENT

We are exposed to various risks during our operations. For more details, please see "Risk Factors". We have implemented various policies and procedures to ensure effective risk management. Such policies and procedures include the following:

Board and Audit Committee

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members, namely Mr. Liu Jie, who will serve as chairman of the committee, Mr. Yu Yuanbo and Mr. Fu Johnson. For the qualifications and experience of these committee members, please see "Directors and Senior Management". We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

OUR BUSINESS

Internal Control

In September 2013, we engaged the Internal Control Consultant, to carry out a comprehensive review of our internal control system, including controls and procedures over regulatory compliance, control environment, risk management, information system control, financial management control, disclosure control, human resources and payroll, revenue and receivable, purchase and payable, inventory management, and fixed asset management. The Internal Control Consultant issued a final report in November 2013, and there is no statement on finding of material weakness or material insufficiency in that report.

Regulatory Compliance

To strengthen our regulatory approval procedures, we have established a regulatory compliance taskforce (the “Regulatory Compliance Taskforce”) in September 2012. Ms. You Jia, an executive Director and vice president, and Mr. Xu Songliu, our director of the legal department, were appointed as members of the Regulatory Compliance Taskforce in September 2012, and Mr. Wang Taisong, our chief financial officer, was appointed a member of the Regulatory Compliance Taskforce in October 2012. Ms. You and Mr. Xu are responsible for monitoring our regulatory compliance from operational and legal perspective, while Mr. Wang is responsible for monitoring our regulatory compliance from financial management perspective.

We have formulated and implemented regulatory compliance measures (the “Regulatory Compliance Measures”) since December 2012. According to the Regulatory Compliance Measures, the strategic investment and development department, the corporate administration department and the legal department are responsible for obtaining all governmental approvals and licenses necessary for the operations of a dealership outlet, which cover three stages, namely site selection, construction of the new outlet and commencement of operations. For each step, the strategic investment and development department, the corporate administration department and the legal department are only permitted to submit an application to the Regulatory Compliance Taskforce when all necessary governmental approvals and licenses have been obtained. The Regulatory Compliance Taskforce will review the application and the relevant governmental approvals and licenses, and decide whether to grant an approval. Only after the approval from the Regulatory Compliance Taskforce is obtained, the strategic investment and development department, the corporate administration department and the legal department are allowed to enter into the next stage. All of these activities are carried out on our operation administration system.

The Regulatory Compliance Taskforce maintains a database of compliance information, such as the details of the necessary governmental approvals and licenses, to ensure the ongoing compliance with PRC laws and regulations. In addition, our audit department also carries out regular internal audit work, which also covers the compliance work of our Group.

Since its inception, the Regulatory Compliance Taskforce has helped us to rectify the historical incidents of non-compliance, and enabled us to comply with applicable PRC laws and regulations. For example, we opened five new outlets in 2013, and all of them have obtained all necessary approvals, licenses and permits, including the Project Initiation Approvals, the Road Transport Licenses and the NDRC approvals, before we commenced the operation of these new outlets.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after the completion of the Global Offering, Golden Speed and Win Force will be jointly interested in approximately 58.5% of our outstanding Shares through their combined shareholding in Top Wheel, assuming the Over-allotment Option is not exercised. Golden Speed is wholly owned by Mr. Wu and Win Force is wholly owned by Ms. Chiu. Top Wheel, Golden Speed, Win Force, Mr. Wu and Ms. Chiu will be considered as our Controlling Shareholders, holding in aggregate approximately 58.5% of our outstanding Shares upon the Listing, assuming the Over-allotment Option is not exercised.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders and Directors confirms that as at the date of this prospectus, none of them has any interest in a business which competes with, or is likely to compete with, our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

Operational Independence

We do not rely on our Controlling Shareholders for any significant amount of our revenue, automobile procurement, staffing or sales activities. We have our own employee headcount for our operations and our own management of human resources. Further, save for the related party transactions disclosed under note 37 to the Accountants' Report set out in Appendix I to this prospectus, there have been no business dealings between our Group and our Controlling Shareholders or their associates. Save as disclosed in the sections entitled "Risk Factors" and "Regulatory Overview" in this prospectus, we have obtained all the licenses, approvals and permits from appropriate regulatory authorities that are material for our business operations in the PRC.

Our two executive Directors, Mr. Jia Ruobing and Ms. You Jia, are experienced in the automobile industry. See "Directors and Senior Management" for details of their management experience. With the involvement of these two executive Directors and three other members of our senior management (Mr. Wang Taisong, Mr. Xia Kun and Mr. Liu Zhanli) in our operations as well as the support from the general managers of our outlets (who have been with us for a substantial period of time and are seasoned in the industry), our Directors are of the view that we do not rely on our Controlling Shareholders to obtain customers, suppliers and production facilities.

Management Independence

Mr. Wu has been leading our operations and businesses, and is responsible for the overall management, corporate strategy, planning and business development of our Group, while Ms. Chiu is primarily responsible for the overall management and financial management and control of our Group. Each of them is committed to devoting substantially all of their time to our Group. Save as aforesaid, our Directors believe that our Group had not relied on our Controlling Shareholders or their associates to carry on our business during the Track Record Period.

In addition to Mr. Wu and Ms. Chiu, our Board also comprises two other executive Directors, one non-executive Director and three independent non-executive Directors, who are collectively responsible for the overall corporate strategies and policy-making of our Group. Each of our Directors is aware of his or her fiduciary duties as a director of a listed company in Hong Kong, which require that, among other things, he or she acts in the best interests of our Group and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

does not allow any conflict between his or her duties as a Director and his or her personal interests. As stipulated under the Articles of Association, the interested Directors shall not be entitled to vote nor be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or other proposal in which such Directors or their respective associates have any material interest.

Our Directors consider that our Group can operate independently from our Controlling Shareholders and their associates.

Financial Independence

As at December 31, 2013, our Group has RMB7.7 million due to Mr. Wu and Ms. Chiu, who also provided guarantees for certain loans of our Group in an aggregate amount of RMB906.7 million. Before the Listing, the amount due to Mr. Wu and Ms. Chiu will be repaid in full and the guarantee provided by Mr. Wu and Ms. Chiu will be discharged.

Our Group has its own financial management system and the ability to operate independently of the Controlling Shareholders from a financial perspective. We make financial decisions according to our own business requirements.

NON-COMPETITION UNDERTAKING

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

Each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company, pursuant to which each of our Controlling Shareholders has on a joint and several basis, unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries) that it would not and would procure that its associates (except any members of our Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any member of our Group from time to time (the "Restricted Business"). Each of our Controlling Shareholders has on a joint and several basis, unconditionally and irrevocably also undertaken to our Company that, if there is any project or new business opportunity in the Restricted Business, it shall, within a reasonable period of time, refer such project or new business opportunity to our Company. Such business opportunity shall first be offered or made available to us and be considered by our Board or its committee which do not have a material interest in the business opportunity. Our Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committee has declined in writing or failed to respond within six (6) months after being notified of such opportunity.

The aforementioned undertakings by our Controlling Shareholders are conditional on (i) the Listing Committee granting the listing of, and permission to deal in, all the Shares in issue and the new Shares to be issued pursuant to the Global Offering and the Shares which may be issued upon the exercise of the Over-allotment Options and the options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not having been terminated in accordance with their terms or otherwise.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The above undertaking does not apply where:

- (a) the holding by our Controlling Shareholders of interests in the shares of a company where:
 - (i) the total number of shares held by our Controlling Shareholders and/or their respective associates does not exceed 5% of the issued shares of the company which is or whose holding company is listed on a recognized stock exchange and our Controlling Shareholders and/or their respective associates are not able to appoint the majority of the members of the board of such company or holding company; or
 - (ii) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts;

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

- (b) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by our Controlling Shareholders and/or their respective associates to us, and after our Board of Directors or a board committee, who do not have a material interest in the business opportunity, has declined in writing or failed to respond within six (6) months after being notified of such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect upon the earlier of: (1) the Shares of our Company cease to be listed on the Hong Kong Stock Exchange; and (2) our Controlling Shareholders and their respective associates (except any members of our Group) cease to hold, directly or indirectly, in aggregate 30% or more of the entire issued share capital of our Company, or otherwise ceases to be a Controlling Shareholder.

Our independent non-executive Directors will review, on an annual basis, the compliance of the non-competition undertaking by our Controlling Shareholders under the Deed of Non-competition. In addition, we will make the relevant disclosure on how the non-competition undertaking is complied with in our annual reports in accordance with the principle of making voluntary disclosures as set out in Appendix 14 of the Listing Rules. Such disclosure shall include matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking by our Controlling Shareholders, as well as any business opportunities referred to our Company by our Controlling Shareholders which are turned down by us and the basis of such decision.

Having considered the above factors, and in light of the non-competition undertakings given by our Controlling Shareholders in favor of our Group, our Directors are satisfied that we are capable of operating the business of our Group independently after the Listing.

CONNECTED TRANSACTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We disposed of our entire equity interest in Yangzhou Sunfonda to Mr. Zhao in June 2013; therefore, Mr. Zhao holds the entire equity interest in Yangzhou Sunfonda. We believe that the business of Yangzhou Sunfonda would not compete directly or indirectly with the business of our Group. For details, please refer to “Business — Legal and Compliance — PRC Non-Compliance Incidents”. As Mr. Zhao is Ms. Chiu’s brother and Mr. Wu’s brother-in-law, Yangzhou Sunfonda will become our connected person as defined under Chapter 14A of the Listing Rules upon the Listing. Yangzhou Sunfonda purchases automobiles from our Group and is principally engaged in the sales and after-sales services of Volkswagen Imported automobiles.

We act as a non-exclusive regional distributor of certain models of automobiles under Volkswagen Imported in Shaanxi Province and Yangzhou, Suzhou and Wuxi in Jiangsu Province, and are allowed to sell the relevant automobiles to other authorized dealerships of Volkswagen Imported (including Yangzhou Sunfonda) and end-user customers in the authorized regions according to our dealership authorization agreement with Volkswagen dated November 1, 2012. Shaanxi Sunfonda Technology, one of our subsidiaries, has entered into an automobile sale and purchase agreement dated February 24, 2014 with Yangzhou Sunfonda, pursuant to which Yangzhou Sunfonda is expected to purchase Volkswagen Imported automobiles from Shaanxi Sunfonda Technology for a term of three years commencing from the Listing Date.

Pricing

Pursuant to the Automobile Sales Agreement, Yangzhou Sunfonda will purchase Volkswagen Imported automobiles from us at the unit price equivalent to our purchase price, which is in compliance with our pricing policy for our wholesale business with other independent automobile dealers. Our wholesale business was not conducted through our outlets as compared to our typical sales to end-user customers, and it did not cost significant operating or financial resources. On this basis, we believe that it is commercially reasonable to set the selling price at or near the purchase price from automobile suppliers when the sales are made to dealerships given that we will receive rebates for the sold automobiles from the automobile suppliers, which normally represent positive margin.

Historical Figures

Yangzhou Sunfonda commenced operations in January 2012. The historical transaction figures for the automobile sale and purchase transactions between us and Yangzhou Sunfonda were as follows:

2011		2012		2013	
Volume of Sales	Amount of Sales	Volume of Sales	Amount of Sales	Volume of Sales	Amount of Sales
(Unit)	(RMB'000)	(Unit)	(RMB'000)	(Unit)	(RMB'000)
N/A	N/A	14	6,954	98	52,161

The average unit price of the automobiles supplied to Yangzhou Sunfonda for the two years ended December 31, 2013 were RMB496,714 and RMB532,255, respectively.

CONNECTED TRANSACTION

Annual Caps and Basis

For the three years ending December 31, 2014, 2015 and 2016, our Directors estimate that our Group will continue to sell the following units and amount of automobiles to Yangzhou Sunfonda upon Listing:

2014		2015		2016	
Volume of Sales	Amount of Sales	Volume of Sales	Amount of Sales	Volume of Sales	Amount of Sales
(Unit)	(RMB'000)	(Unit)	(RMB'000)	(Unit)	(RMB'000)
110	61,000	121	67,000	133	74,000

The above annual caps are determined by taking into account the volume of automobiles of 98 units supplied to Yangzhou Sunfonda by us in 2013, and the unit price will be set at the pricing terms summarized above. According to ACMR, the annual growth rates of sales volume for Volkswagen Imported automobiles are estimated to be 26.9%, 22.8% and 18.5% in Yangzhou City and 15.0%, 15.0% and 15.0% in China for 2014, 2015 and 2016, respectively. Our estimated growth rates in the sales volume to Yangzhou Sunfonda have taken into account the type of automobile products to be sold to Yangzhou Sunfonda and the potential market demand. Such estimated growth rates in 2014, 2015 and 2016 are relatively moderate as compared to the estimated industry growth rates above, which we believe are reasonable. In addition, the average unit prices of automobiles to be sold to Yangzhou Sunfonda in 2014, 2015 and 2016 are expected to be similar to the same in 2013 because the automobiles to be sold to Yangzhou Sunfonda include certain models, and the purchase price to be paid by us to the automobile suppliers will normally not be raised as these models get more mature. As our sales to Yangzhou Sunfonda will be priced at or near the purchase price payable to our automobile suppliers, we believe that such selling price will not be raised as well. Therefore, we believe that it is reasonable to use the average unit price of automobiles sold to Yangzhou Sunfonda in 2013 as the basis for the annual caps.

Listing Rule Implications

Given that each of the applicable percentage ratios under Chapter 14A of the Listing Rules is on an annual basis more than 0.1% but less than 5%, the transactions under the Automobile Sales Agreement will be exempted from the independent Shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Waivers Sought

Our Directors (including the independent non-executive Directors) are of the view that the transactions under the Automobile Sales Agreement have been entered into in the ordinary and usual course of business of our Company, on an arm's length basis, with normal commercial terms, and are fair and reasonable and are in the interests of our Company as well as our Shareholders as a whole. Our Directors (including the independent non-executive Directors) also confirm that each of the proposed annual caps set out herein is fair and reasonable and is in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTION

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements of the Listing Rules in respect of the transactions under the Automobile Sales Agreement, subject to the following conditions:

1. the aggregate value of the transactions under the Automobile Sales Agreement for each of the financial years ending December 31, 2014, 2015 and 2016 will not exceed the relevant annual cap amount set forth above; and
2. we will fully comply with the requirements under Chapter 14A of the Listing Rules for transactions between us and Yangzhou Sunfonda to be conducted for the financial years ending December 31, 2014, 2015 and 2016.

The independent non-executive Directors and auditors of our Company will review whether the relevant continuing connected transactions have been entered into based on the principal terms and pricing policies as disclosed in this prospectus. The confirmations of our independent non-executive Directors and auditors will be disclosed annually, as required by the Listing Rules.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the Automobile Sales Agreement has been entered into in the ordinary and usual course of business of our Company and on normal commercial terms, is fair and reasonable and is in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the transactions under the Automobile Sales Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed in these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

The following table sets forth certain information with respect to our Directors:

Name	Age	Position/Title in Our Company	Date of joining our Group	Date of appointment	Roles and Responsibilities in our Group	Relationship with the other Directors
Mr. Wu Tak Lam	52	Chairman and executive Director	November 2000	January 13, 2011	Responsible for the strategic management, planning and business development as well as development and maintenance of relationship with the automobile suppliers	Spouse of Ms. Chiu Man
Ms. Chiu Man	50	Executive Director and chief executive officer	November 2000	January 13, 2011	Responsible for the overall management and financial control	Spouse of Mr. Wu Tak Lam
Mr. Jia Ruobing	40	Executive Director and chief operating officer	October 2011	June 11, 2012	Responsible for the overall operation	N/A
Ms. You Jia	44	Executive Director and vice president	March 2004	June 11, 2012	Responsible for the overall management, internal auditing, marketing control and network development	N/A
Mr. Zhu Wei	52	Non-executive Director	April 2011	April 21, 2011	Responsible for overseeing the management	N/A
Mr. Liu Jie.	51	Independent non-executive Director	June 2012	June 30, 2012	Responsible for overseeing the management independently	N/A
Mr. Yu Yuanbo.	46	Independent non-executive Director	June 2012	June 30, 2012	Responsible for overseeing the management independently	N/A
Mr. Fu Johnson Chi-King	60	Independent non-executive Director	January 2014	January 18, 2014	Responsible for overseeing the management independently	N/A

Executive Directors

Mr. Wu Tak Lam (胡德林) was appointed as the Chairman and an executive Director of our Company on January 13, 2011. Mr. Wu founded our Group with Ms. Chiu in November 2000 and has been primarily responsible for the strategic management, planning and business development of our Group as well as development and maintenance of relationship with our automobile suppliers. Mr. Wu serves as the chairman of the board and a director of each of our subsidiaries, and he has also been a director of Sunfonda HK since April 1997. Prior to the establishment of our Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院, currently known as Wuhan University of Technology (武漢理工大學)) located in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. Mr. Wu is the husband of Ms. Chiu and the brother-in-law of Mr. Zhao and Ms. Teng.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chiu Man (趙敏) was appointed as the chief executive officer of our Group and an executive Director of our Company on January 13, 2011. Ms. Chiu founded our Group with Mr. Wu in November 2000 and has been primarily responsible for the overall management and financial control of our Group. Ms. Chiu serves as a director in each of our subsidiaries and has also been a director of Sunfonda HK since April 1997. Ms. Chiu graduated from Wuhan Institute of Technology majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. Ms. Chiu is the wife of Mr. Wu, the sister of Mr. Zhao and the sister-in-law of Ms. Teng.

Mr. Jia Ruobing (賈若冰) was appointed as an executive Director of our Company on June 11, 2012. Mr. Jia joined our Group in October 2011 and has been the chief operating officer of our Group since then, primarily responsible for our overall operation. Mr. Jia also serves as a director of Grand Forever. Prior to joining our Group, he served as the luxury brand general manager of China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 01728), from September 2010 to September 2011, and as the Beijing regional sales director of Beijing Yan De Bao Automobile Sales Co., Ltd. (北京燕德寶汽車銷售有限公司) from June 2005 to August 2010, during which he was awarded the title of General Manager of Outstanding Mini Team 2009 and granted a Top Sales Performance Award from BMW China on January 20, 2010. Mr. Jia graduated from South China University of Technology (華南理工大學) located in Guangzhou, China, majoring in international trade in July 1996. He obtained an executive diploma in management from the School of Business and Management of the Hong Kong University of Science and Technology in February 2008.

Ms. You Jia (游嘉) was appointed as an executive Director of our Company on June 11, 2012, and has been the vice president of our Group since January 2010, primarily responsible for the overall management, internal auditing, marketing control and network development of our Group. Ms. You also serves as a director of Grand Forever. Ms. You joined our Group in March 2004 as our marketing manager for the Audi brand, and she acted as our Group's marketing manager from January 2005 to January 2007. She was the general manager of Shaanxi Xinjie from February 2007 to December 2008. Beginning in January 2009, Ms. You acted as the assistant to Mr. Wu, and was promoted to vice president of our Group in January 2010. Prior to joining our Group, Ms. You worked at the business department of Shaanxi Light Industrial Products Import and Export Corporation (陝西省輕工業品進出口公司) from February 1993 to March 2004. From July 1992 to February 1993, she worked at Xi'an Aero-Engine Corporation (西安航空發動機公司, currently known as AVIC Xi'an Aero-Engine (Group) Ltd. (中航工業西安航空發動機(集團)有限公司)). Ms. You graduated from Harbin Shipbuilding Engineering College (哈爾濱船舶工程學院, currently known as Harbin Engineering University (哈爾濱工程大學)) located in Harbin, China, majoring in English for designated usage (science and technology) and obtained a bachelor's degree in art in July 1992.

Non-executive Director

Mr. Zhu Wei (朱偉) was appointed as a non-executive Director of our Company on April 21, 2011. Mr. Zhu joined our Group on April 21, 2011 and has been a Director of our Company since then. Mr. Zhu was appointed as a Director of our Company pursuant to Standard Chartered Private Equity's special right as the holder of Series A Preferred Shares. Upon the Listing, Mr. Zhu will be subject to re-election procedures as provided in the Articles of Association of our Company (and subject to the requirements of the Listing Rules) at the annual general meeting of our Company. Mr. Zhu joined Standard Chartered PLC (HKEx: 02888; LSE: STAN; NSE: STAN) in September 2009 as a managing director primarily responsible for the company's direct

DIRECTORS AND SENIOR MANAGEMENT

investment business in the Greater China Region. Mr. Zhu was previously a director of Zhuhai Zhongfu Enterprise Co., Ltd. (珠海中富實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000659) from November 2008 to January 2010. Mr. Zhu also holds directorships in Henan Golden Dragon Precise Copper Tube Inc. (河南金龍精密銅管集團股份有限公司), Shandong Sangle Solar Energy Co., Ltd. (山東桑樂太陽能有限公司), Wuhan Ecoplast Technologies Inc. (武漢華麗環保科技有限公司) and Hangzhou Kuka Furnishing Co., Ltd. (杭州顧家家居有限公司). Prior to joining Standard Chartered PLC, he was a senior managing director of CVC Asia Pacific Ltd. (CVC亞太投資有限公司) from July 2008 to July 2009, responsible for investments in China. He served as the managing director of Goldman Sachs Gao Hua Securities Co., Ltd. (高盛高華證券有限公司) from November 2005 to July 2008, responsible for investment banking business in Shanghai. He was the president of the China Region of Roland Berger Strategy Consultants (羅蘭貝格管理顧問有限公司) from April 2004 to November 2005. He joined A.T. Kearney, Inc. (科爾尼管理顧問有限公司) in April 1993 and served as vice president of A.T. Kearney, Inc. and managing director of its Greater China Region from October 2001 to January 2004. Mr. Zhu obtained a bachelor's degree in foreign service from Georgetown University (喬治城大學) located in Washington, DC in the US in 1986 and a master's degree in business administration from The University of Chicago (芝加哥大學) located in Chicago, Illinois in the US in 1992.

Independent non-executive Directors

Mr. Liu Jie (劉傑) was appointed as an independent non-executive Director of our Company on June 19, 2012. Mr. Liu has been a professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since July 2000, a professor and supervisor of Ph.D candidates at the School of Management of Fudan University since April 2004, a part-time professor and supervisor of Ph.D candidates at the School of Economics and Management of Tongji University since September 2005, and a honorary professor in the Faculty of Business and Economics of the University of Hong Kong since September 2011. From October 1995 to January 1998, Mr. Liu was the deputy general manager of Shanghai Tongji Science & Technology Industrial Co., Ltd. (上海同濟科技實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600846). Mr. Liu has also served as the chairman of the board and general manager of Shanghai Tongji Travel Agency Co., Ltd. (上海同濟旅行社有限公司) since February 1997 and as the chairman of the board and general manager of Shanghai Tongji Biological Products Co., Ltd. (上海同濟生物製品有限公司) since April 1997. He was a director of Shanghai Tongji Science & Technology Industrial Co., Ltd. from May 1997 to June 2005, an independent director of Shanghai Material Trading Co., Ltd. (上海物質中心股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600822) from October 2001 to June 2007, and an independent non-executive director of China Cyber Port (International) Company Limited (神州奧美網絡國際有限公司), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 08206) from February 2007 to October 2008. Mr. Liu graduated from Tongji University (同濟大學) located in Shanghai, China, majoring in industrial automation, and obtained a bachelor's degree and a master's degree in engineering in July 1987 and December 1990, respectively. He graduated from the same university majoring in management science and engineering and obtained a doctoral degree in engineering in July 1995.

Mr. Yu Yuanbo (于元渤) was appointed as an independent non-executive Director of our Company on June 19, 2012. Mr. Yu has been the vice chairman of China Automobile Dealers Association (中國汽車流通協會) since January 2005, mainly responsible for collection and publication of statistics related to the China automobile industry. From September 2003 to October 2005, Mr Yu served as the vice president of China Huahai Investment & Guaranty Co.,

DIRECTORS AND SENIOR MANAGEMENT

Ltd. (中國華海投資擔保有限公司), and served as the vice general manager of Huaxing South Automobile Trading Co., Ltd. (華星南方汽車貿易有限公司) from July 2001 to September 2003. Prior to this, he worked in various government agencies, including as supervisor (at the director level) of the Supervisory Board of Central Enterprise Work Commission (中央企業工委監事會) from February 2001 to July 2001, the secretary (at the deputy-director level) of the Office of the State Bureau of Internal Trade (國家國內貿易局辦公室) from September 1997 to February 2001, the deputy director of the consumer product circulation department and the general office of the Ministry of Internal Trade (國內貿易部) from September 1993 to September 1997, and a cadre of the Infrastructure Storage and Transportation Division of Department of Commerce (商業部基礎儲運司) from July 1991 to September 1993. Mr. Yu graduated from Tianjin Business School (天津商學院, currently known as Tianjin University of Commerce) located in Tianjin, China, majoring in packaging engineering, and obtained a bachelor's degree in engineering in July 1991. He graduated from a postgraduate class at Beijing Technology and Business University (北京工商大學) located in Beijing, China, majoring in industrial economics in July 2000.

Mr. Fu Johnson Chi-King (符致京), was appointed as an independent non-executive Director of our Company on January 18, 2014. Mr. Fu has been the CEO of Kingold Group Companies Ltd located in Guangzhou, China, which has investments in real estate, hotels, resorts, media, education and IT, since May 2013. He has been an independent non-executive director of China Hanking Holdings Limited (HKEx: 03788) since February 2011, where he served as a member of the audit committee and therefore extensively participated in reviewing and analyzing the company's financial reports and diligently supervised and assessed the company's internal controls. Mr. Fu's major recent work experience in the financial industry is summarized below. From January 2011 to February 2013, he served as the country manager (China) for Rabobank Netherland. From February 2010 to August 2010, he served as a director and the chief executive officer of ChemChina Finance Co., Ltd. (中國化工財務有限公司), a wholly-owned subsidiary of China state-owned ChemChina Group (China National Chemical Corporation), where he was fully responsible for managing the cashflow and investment of ChemChina Group. From August 2005 to May 2009, he worked for Hang Seng Bank Limited, Hong Kong, held the position of an executive director and the chief executive of Hang Seng Bank (China) Limited (恒生銀行(中國)有限公司) during the period, and participated in the preparation and review of the financial information that are consolidated into the public financial statements of Hang Seng Bank Limited (HKEx: 00011). Prior to August 2005, Mr. Fu held various management positions in a number of financial institutions and other companies. Mr. Fu obtained a bachelor's degree in Business Administration from Loyola University located in New Orleans, Louisiana in the US in 1975 and a master's degree in business administration from the University of California, Berkeley located in Berkeley, California in the US in 1976.

Please refer to the subsection headed "Statutory and General Information — Further Information about Our Directors and Substantial Shareholders — Arrangement with Our Directors — (a) Service contracts of our Directors" in Appendix V to this prospectus for further information on our Directors' service contracts. Save as disclosed in the prospectus, no Director has been a director in any public company the securities of which are listed on any securities market in Hong Kong or overseas over the past three years, and there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information in respect of our senior management:

Name	Age	Date of joining our Group	Date of appointment	Position/Title
Ms. Chiu Man	50	November 2000	January 13, 2011	Executive Director and chief executive officer
Mr. Jia Ruobing	40	October 2011	June 11, 2012	Executive Director and chief operating officer
Ms. You Jia	44	March 2004	June 11, 2012	Executive Director and vice president
Mr. Wang Taisong	46	October 2012	October 16, 2012	Chief Financial Officer
Mr. Xia Kun	49	October 2001	January 1, 2012	After-sales service general manager
Mr. Liu Zhanli	41	October 2003	January 1, 2012	General manager in charge of our Audi brand

Ms. Chiu Man (趙敏), please refer to “Directors — Executive Directors” in this section for Ms. Chiu’s biography.

Mr. Jia Ruobing (賈若冰), please refer to “Directors — Executive Directors” in this section for Mr. Jia’s biography.

Ms. You Jia (游嘉), please refer to “Directors — Executive Directors” in this section for Ms. You’s biography.

Mr. Wang Taisong (王泰松) joined our Group on October 16, 2012 and was appointed as the chief financial officer of our Group responsible for the accounting and financial management of our Group. Prior to joining our Group, Mr. Wang served as the vice president of finance in China Grand Automotive Service Co., Ltd. (廣匯汽車服務股份分公司) from August 2010 to October 2012. He acted as the finance director of the China region of Andrew Telecommunications (China) Co., Ltd. (安德魯電信器材(中國)有限公司), a United States manufacturer of telecommunication devices, from August 2005 to April 2010, overseeing the accounting and financial management of the company and its subsidiaries. Mr. Wang also worked in Lucent Technologies Qingdao Telecommunications Systems Co., Ltd. (青島朗訊科技通訊設備有限公司) which is owned by the United States Lucent Technologies from April 1996 to July 2005, where he served as the finance director from 2001 to 2005. Mr. Wang graduated from Suzhou Institute of Silk Textile Technology ((蘇州絲綢工學院), currently known as Soochow University (蘇州大學)) located in Suzhou, China with a bachelor’s degree in industrial management engineering in 1992. He completed a master diploma course in accountancy at China Ocean University (中國海洋大學) located in Qingdao, China in September 2004. In September 2008, he graduated from China Europe International Business School (中歐商學院) located in Shanghai, China with a master’s degree in business administration. Mr. Wang was granted the qualification of accountant by the Ministry of Personnel of the PRC in May 1997.

Mr. Xia Kun (夏坤) was appointed as the after-sales service general manager of our Group on January 1, 2012, responsible for the management of after-sales services of our subsidiaries. Mr. Xia joined our Group in October 2001. He has been the general manager of Xi’an Xinmingyang since March 2009. He previously served as the general manager and the service director of Shaanxi Sunfonda from September 2006 to March 2009 and from October 2001 to September 2006, respectively. Prior to joining our Group, Mr. Xia worked as an assistant to the director of Shaanxi Water, Electricity and Automobile Maintenance General Factory (陝西省水電

DIRECTORS AND SENIOR MANAGEMENT

汽車維修總廠) from July 1989 to June 2001. Mr. Xia graduated from Xi'an Highway Institute ((西安公路學院), currently known as Chang'an University (長安大學)) located in Xi'an, China majoring in automobile application engineering and obtained a bachelor's degree in engineering in July 1989.

Mr. Liu Zhanli (劉戰利) was appointed as the Audi brand manager of our Group on January 1, 2012, responsible for Audi brand management and network development. Mr. Liu joined our Group in October 2003 and has been the department manager and the general manager of Shaanxi Sunfonda since then. Prior to joining our Group, he worked as a salesman in Xi'an Jiuyuan High Voltage Capacitor Factory (西安九元高壓電容器廠) from December 1995 to October 2003. Mr. Liu graduated from Xi'an Statistical Institute (西安統計學院, currently known as Xi'an University of Finance and Economics (西安財經學院)) located in Xi'an, China with a college diploma in economics in July 1995.

COMPANY SECRETARY

Ms. So Yee Kwan (蘇漪筠), aged 32, was appointed as our company secretary on January 18, 2014 and such appointment shall be effective from the Listing Date. She is currently a manager of the corporate services division of Tricor Services Limited, which is a global professional services provider specializing in integrated business, corporate and investor services. Ms. So is a Chartered Secretary and an Associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She graduated from Oxford Brookes University in the United Kingdom in July 2004 and received a master of arts degree in professional accounting and information systems from the City University of Hong Kong in November 2006.

BOARD COMMITTEES

We have established the following three committees in our Board of Directors: an audit committee, a nomination committee and a remuneration committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Liu Jie, who will serve as chairman of the committee, Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Yu Yuanbo, who will serve as chairman of the committee, Mr. Liu Jie and Mr. Fu Johnson Chi-King. The primary duties of the remuneration committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of four members, namely Mr. Wu Tak Lam, who will serve as chairman of the committee, Mr. Liu Jie, Mr. Yu Yuanbo and Mr. Fu Johnson Chi-King. The primary duties of the nomination committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board and to develop, recommend to the Board and monitor nomination guidelines for the Company.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our directors and senior management receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based compensation), housing and other allowances and benefits in kind subject to applicable laws, regulations and rules. The aggregate amount of compensation (including fees, salaries, bonuses, stock, stock options, contributions to pension schemes, long-term incentives, housing and other allowances) and benefits in kind paid to the Directors for 2011, 2012 and 2013 were RMB1.0 million, RMB1.7 million and RMB1.8 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individuals of our Group, including directors, for 2011, 2012 and 2013 were RMB1.7 million, RMB2.7 million and RMB3.3 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ended December 31, 2014 to be approximately RMB2.3 million. The executive Directors receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, regulations and rules.

The independent non-executive Directors receive fees from the Company. All Directors receive reimbursements from the Company for expenses which are necessary and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company and are paid out of the funds of the Company by way of fees for their services as directors, such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as the Company may by ordinary resolution determine). Save as disclosed above, the Directors are not entitled to receive any other special benefits from the Company. The compensation of the Directors is determined by the Board which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account applicable laws, regulations and rules including the Recovery Act.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid as at the date of this prospectus and immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised):

As at the date of this prospectus

	Number of Shares	Value (US\$)
Authorized share capital	1,000,000,000 Shares of US\$0.0001 each	100,000
Issued share capital	450,000,000 Shares of US\$0.0001 each	45,000

Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)

	Number of Shares	Value (US\$)
Total number of New Shares to be issued under the Global Offering	150,000,000 New Shares of US\$0.0001 each	15,000
Total number of issued Shares upon completion of the Global Offering	600,000,000 Shares of US\$0.0001 each	60,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option or the options to be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued. In particular, they will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

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

- (a) a rights issue;

SHARE CAPITAL

- (b) exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting;
- (c) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (d) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (a) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options to be granted under the Share Option Scheme); and
- (b) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (c) when being varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About Our Group — 3. Resolutions of our Shareholders” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options to be granted under the Share Option Scheme).

SHARE CAPITAL

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information About Our Group — 4. Repurchases of our own Shares” in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About Our Group — 3. Resolutions of Our Shareholders” in Appendix V to this prospectus.

SHARE OPTION SCHEME

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

CORNERSTONE INVESTORS

THE CORPORATE PLACING

We have entered into cornerstone investment agreements with the following cornerstone investors (the “Cornerstone Investors”), who have agreed to subscribe at the Offer Price for such number of Shares that may be purchased with an aggregate amount of US\$28 million. Based on the Offer Price of HK\$3.61 per Offer Share, the total number of Shares to be subscribed for by the Cornerstone Investors would be 60,139,000 Shares (rounded down to the nearest whole board lot of 1,000 Shares), representing approximately 40.09% of our Offer Shares and approximately 10.02% of our total issued share capital upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). The Cornerstone Investors are independent from our Company, their connected persons and their respective associates and are independent from each other. The Cornerstone Investors will not subscribe for any Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreements. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become substantial Shareholders of our Company. The shareholdings of the Cornerstone Investors will be counted towards the public float of our Shares.

The cornerstone placing forms part of the International Offering. The Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on May 14, 2014.

OUR CORNERSTONE INVESTORS

Our Cornerstone Investors are set out below:

CIG Trustees Limited

CIG Trustees Limited (“**CIG**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price. Based on the Offer Price of HK\$3.61 per Offer Share, CIG will subscribe for 21,478,000 Shares, representing approximately 14.32% of the Shares to be issued pursuant to the Global Offering and approximately 3.58% of our total issued share capital upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

CIG is a company incorporated in Hong Kong, and principally engaged in trust business. Its ultimate controlling shareholder is China Taiping Insurance Group Co. (“**China Taiping**”). China Taiping is a PRC state-owned financial and insurance group, and is currently the longest standing national brand in China’s insurance industry. Its business covers life insurance, general insurance, pension plans, reinsurance, securities brokerage, asset management and non-financial investment, and its operations have presence in many countries and regions including the PRC, Hong Kong, Macau, Europe, Oceania, East Asia and Southeast Asia.

CORNERSTONE INVESTORS

Beijing Hua Yuan Ying Fu Investment Co., Ltd.

Beijing Hua Yuan Ying Fu Investment Co., Ltd. ("**Beijing Huayuan**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price. Based on the Offer Price of HK\$3.61 per Offer Share, Beijing Huayuan will subscribe for 21,478,000 Shares, representing approximately 14.32% of the Shares to be issued pursuant to the Global Offering and approximately 3.58% of our total issued share capital upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Beijing Huayuan is a company incorporated in the PRC and is wholly owned by Beijing Yun Tong Guo Rong Investment Co., Ltd.. Its business covers project investment, assets management and management consulting.

GAC Capital Co., Ltd.

GAC Capital Co., Ltd. ("**GAC Capital**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US\$8 million at the Offer Price. Based on the Offer Price of HK\$3.61 per Offer Share, GAC Capital will subscribe for 17,183,000 Shares, representing approximately 11.46% of the Shares to be issued pursuant to the Global Offering and approximately 2.86% of our total issued share capital upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

GAC Capital is a wholly owned subsidiary of Guangzhou Automobile Group Co., Ltd. ("**Guangzhou Automobile**") established in April 2013. GAC Capital is mainly engaged in venture capital, private equity and securities investments, and provides corporate financing services to Guangzhou Automobile for its real estate investments.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) by no later than the time and date as specified in such agreements;
- (2) the Listing Committee of the Hong Kong Stock Exchange having granted approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked;
- (3) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement has been terminated;

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- (4) the respective representations, warranties, undertakings and acknowledgements of the respective Cornerstone Investor and the Company are and will be (as of the closing of the respective cornerstone investment agreement) accurate and true and not misleading and there being no material breach of the cornerstone investment agreement on the part of the respective Cornerstone Investor; and
- (5) no laws shall have been enacted or promulgated, which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the relevant cornerstone investment agreement and no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of Cornerstone Investors has agreed that, without the prior written consent of our Company and certain Underwriter(s) or their respective representatives, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on such Cornerstone Investor.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after completion of the Global Offering ⁽²⁾
Mr. Wu	Deemed interest, interest of controlled company ⁽³⁾⁽⁵⁾	360,000,000 ^(L)	60%
Golden Speed	Deemed interest, interest of controlled company ⁽³⁾⁽⁵⁾	360,000,000 ^(L)	60%
Ms. Chiu.	Deemed interest, interest of controlled company ⁽⁴⁾⁽⁵⁾	360,000,000 ^(L)	60%
Win Force	Deemed interest, interest of controlled company ⁽⁴⁾⁽⁵⁾	360,000,000 ^(L)	60%
Top Wheel	Beneficial owner, deemed interest, interest of controlled company ⁽⁵⁾	360,000,000 ^(L)	60%
Standard Chartered Private Equity	Beneficial owner	90,000,000 ^(L)	15%
Standard Chartered PLC	Deemed interest, interest of controlled company ⁽⁶⁾	90,000,000 ^(L)	15%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) Assuming the Over-allotment Option is not exercised.
- (3) Mr. Wu holds the entire issued share capital of Golden Speed and Golden Speed holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu, through her wholly owned investment company, Win Force. Under the SFO, Mr. Wu and Golden Speed are deemed to be interested in the 351,000,000 Shares held by Top Wheel.
- (4) Ms. Chiu holds the entire issued share capital of Win Force and Win Force holds 30% of the issued share capital of Top Wheel. The remaining 70% of the issued share capital of Top Wheel is indirectly held by her husband, Mr. Wu, through his wholly owned investment company, Golden Speed. Under the SFO, Ms. Chiu and Win Force are deemed to be interested in the 351,000,000 Shares held by Top Wheel.
- (5) The Management Trust holds 100% issued share capital of Westernrobust, thus the Management Trust is deemed to be interested in the 9,000,000 Shares held by Westernrobust. Top Wheel is the settler of the Management Trust and possesses all voting rights attached to the unawarded Shares and awarded Shares which have not vested under the Management Trust. The beneficiaries of the Management Trust include certain selected employees of our Group. Therefore, Mr. Wu, Golden Speed, Ms. Chiu, Win Force and Top Wheel are deemed to be interested in the 9,000,000 Shares held by Westernrobust as disclosed above immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (6) Standard Chartered PLC, a bank listed on the stock exchange of London, Hong Kong and Mumbai, indirectly holds the entire issued share capital of Standard Chartered Private Equity through a series of wholly owned subsidiaries, Standard Chartered Holdings Limited, Standard Chartered Bank, SCMB Overseas Limited, Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered Asia Limited and Standard Chartered Private Equity Limited, and is therefore deemed to be interested in the Shares held by Standard Chartered Private Equity.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

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You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in “Accountants’ Report” in Appendix I, which has been prepared in accordance with the Hong Kong Financial Reporting Standards, or HKFRS, and “Unaudited Pro Forma Financial Information” in Appendix II, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We were the second largest luxury and ultra-luxury automobile dealership group in Northwestern China in terms of the number of dealership outlets for luxury and ultra-luxury automobile brands as of December 31, 2013, according to ACMR. In addition, we were the largest automobile dealership group in Xi’an City and Shaanxi Province in terms of revenue in 2012, according to ACMR.

According to ACMR, Xi’an City was the largest city in Shaanxi Province in terms of GDP in 2013, accounting for approximately 30.4% of the total GDP of Shaanxi Province in 2013, compared to Yulin, which was the second largest city in Shaanxi Province in terms of GDP in 2013 and accounted for 17.7% of the total GDP of Shaanxi Province in 2013. In addition, according to ACMR, Xi’an City was the largest automobile market in Shaanxi Province in terms of new automobile plate registration volume in 2012, which accounted for 50.9% of the total new automobile plate registration volume of Shaanxi Province in 2012, compared to Yulin, which was the second largest city in Shaanxi Province in terms of new automobile plate registration volume in 2012 and accounted for 16.8% of the total new automobile plate registration volume of Shaanxi Province in 2012. According to ACMR, Shaanxi Province was the largest province in Northwestern China in terms of GDP in 2013, accounting for 45.1% of the total GDP of Northwestern China in 2013, compared to Xinjiang, which was the second largest provincial region in Northwestern China in terms of GDP in 2013 and accounted for 23.9% of the total GDP of Northwestern China in 2013. In addition, according to ACMR, Shaanxi Province was the largest automobile market in Northwestern China in terms of new automobile plate registration volume in 2012, which accounted for 43.6% of the total new automobile plate registration volume of Northwestern China in 2012, compared to Xinjiang, which was the second largest market in Northwestern China in terms of new automobile plate registration volume in 2012 and accounted for 23.0% of the total new automobile plate registration volume of Northwestern China in 2012.

As of the Latest Practicable Date, we had 26 outlets in operation, including 17 4S dealership stores, eight showrooms and one service center, and 15 out of our 26 outlets in operation were located in Xi’an in Shaanxi Province and contributed approximately 74.8% to our total revenue for 2013. As of the Latest Practicable Date, our remaining 11 outlets were located in Yan’an in Shaanxi Province, Lanzhou in Gansu Province, Yinchuan in Ningxia, Taiyuan in Shanxi Province, Ordos in Inner Mongolia and Wuxi and Suzhou in Jiangsu Province. As of the Latest Practicable Date, 19 out of our 26 outlets were located in Northwestern China. We have a proven track record of establishing successful and high quality outlets. In Northwestern China, we were the first to set up outlets for Cadillac, Porsche, Bentley, Ferrari/Maserati and Hongqi, and among the first dealerships to set up outlets for Audi. As of the same date, we had ten outlets covering such ultra-luxury automobile brands as Porsche and Ferrari/Maserati, for which we were the only dealer in the region, two outlets covering Bentley, for which we were the only

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dealer in Shaanxi Province, and 13 outlets covering such luxury automobile brands as Audi, Volkswagen Imported, Mercedes-Benz, Cadillac, Lexus and Hongqi. As of the Latest Practicable Date, we had received non-binding letters of intent from automobile suppliers, and we planned to establish one outlet for ultra-luxury automobile brand of Ferrari/Maserati, nine outlets for luxury automobile brands, including Audi, Volkswagen Imported, Hongqi and Chrysler and one outlet for Shanghai Volkswagen, a middle market brand.

We generate revenue from a comprehensive range of automobile sales and services, including (i) the sale of automobiles, both imported and domestically manufactured, and (ii) after-sales services, including maintenance and repair services, sales of spare parts and automobile detailing services.

We achieved rapid growth during the Track Record Period. For 2011, 2012 and 2013, the volume of our automobile sales was 11,032 units, 14,810 units and 15,834 units, respectively, representing a CAGR of 19.8%. Revenue from sales of automobiles during the same periods was RMB4,967.5 million, RMB6,619.3 million and RMB6,739.4 million, respectively, representing a CAGR of 16.5%. In particular, revenue from sales of luxury and ultra-luxury branded automobiles during the same periods was RMB4,411.0 million, RMB6,122.3 million and RMB6,308.2 million, respectively, representing a CAGR of 19.6%.

We have been continuously improving our after-sales service capabilities. During the Track Record Period, a majority of our new customers who purchased our luxury and ultra-luxury automobiles returned to our 4S dealership stores for maintenance or repair services. The throughput volume of after-sales services increased from 111,513 units for 2011 to 154,641 units for 2012, and further to 170,173 units for 2013.

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

	Year ended December 31,						
	2011		2012		2013		
Revenue source	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	CAGR on revenue
	RMB'000	%	RMB'000	%	RMB'000	%	%
Automobile sales							
— Luxury and ultra-luxury brands	4,410,970	82.5	6,122,318	85.0	6,308,165	84.9	19.6
— Middle market brands	556,514	10.4	496,951	6.9	431,200	5.8	(12.0)
Subtotal	4,967,484	92.9	6,619,269	91.9	6,739,365	90.7	16.5
After-sales services	380,920	7.1	585,963	8.1	693,334	9.3	34.9
Total	5,348,404	100.0	7,205,232	100.0	7,432,699	100.0	17.9

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BASIS OF PRESENTATION

Our Company became the holding company of the companies now comprising our Group on March 17, 2011. The companies now comprising our Group were under the common control of the Controlling Shareholders before the Reorganization and will be under the common control of the Controlling Shareholders after the Reorganization. Accordingly, for the purpose of this report, the financial information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

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

The financial information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institution of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs, effective for the accounting periods commencing on January 1, 2013, have been adopted by our Group in the preparation of the consolidated financial statements throughout the Track Record Period.

The financial information has been prepared under the historical cost convention, and is presented in Renminbi and all values are rounded to the nearest thousand unless indicated otherwise.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

The results of our operation depend significantly on new automobile sales. We sold a total of 11,032 units, 14,810 units and 15,834 units of new automobiles for 2011, 2012 and 2013, respectively. The rapid growth of the PRC economy has led to accelerated urbanization, improved living standards and higher per capita disposable income, which has in turn driven demand for automobiles in the PRC. Furthermore, as the number of high net worth individuals has increased in China, the demand for luxury products has also grown significantly, resulting in rapid growth in the sales of luxury and ultra-luxury automobiles. Notwithstanding such general trend, the market demand for certain brands of new luxury and ultra-luxury automobiles, including brands such as Audi and Volkswagen Imported, has declined during the Track Record Period. Changes in the foregoing and other factors affecting market demand for automobiles in the PRC, in particular luxury and ultra-luxury automobiles, could materially impact our business and prospects.

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Our Dealership Network

The growth of our new automobile sales and after-sales services is directly affected by the number, locations, maturity and business performance of our outlets. To capture more of the increasing demand for luxury and ultra-luxury automobiles, we have rapidly expanded our dealership network through organic growth during the Track Record Period. The number of our outlets increased from 12 as of December 31, 2011 to 26 as of the Latest Practicable Date.

Our outlets are strategically located in Northwestern China, a region with abundant natural resources, such as coal, petroleum and natural gas. Northwestern China has experienced high economic growth in recent years as a result of favorable government policies alongside with its active campaigns to develop the region. The rapid economic growth in Northwestern China has led to increasing demand for automobiles, particularly for luxury and ultra-luxury automobiles.

The following table sets forth a breakdown of our revenue by region and the percentage contribution of each region for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Revenue	%	Revenue	%	Revenue	%
	<i>(RMB'000, except percentages)</i>					
Shaanxi	4,919,429	92.0	6,014,562	83.5	5,961,360	80.2
Others ⁽¹⁾	428,975	8.0	1,190,670	16.5	1,471,339	19.8
Total	<u>5,348,404</u>	<u>100.0</u>	<u>7,205,232</u>	<u>100.0</u>	<u>7,432,699</u>	<u>100.0</u>

Note:

(1) Others include Shanxi Province, Inner Mongolia, Gansu Province and Jiangsu Province.

We plan to expand into the more developed, populous and affluent areas of China, such as Jiangsu Province and Beijing. We believe that, partially due to their advantageous locations, newly established stores in these markets will be able to quickly ramp up sales and become profitable in a relatively short time period.

Product and Service Mix

We offer a diversified portfolio of ultra-luxury, luxury and middle market automobile brands, which bear different gross margins. Changes in the mix of automobile brands and automobile models that we sell and the relative contribution of our after-sales business to our revenue affect our overall gross margin.

Sales of luxury and ultra-luxury automobiles have had an increasing contribution to our revenue and gross profit from automobile sales over the Track Record Period. Revenue from sales of luxury and ultra-luxury automobiles accounted for 88.8%, 92.5% and 93.6% of our total revenue from automobile sales, and gross profit from sales of luxury and ultra-luxury automobiles accounted for 94.8%, 98.3% and 99.8% of our total gross profit from automobile sales for 2011, 2012 and 2013, respectively. As of the Latest Practicable Date, 25 of our 26 outlets were dedicated to the sales of luxury and ultra-luxury brands. During the Track Record Period, our sales of luxury and ultra-luxury brand automobiles have resulted in higher gross margins than our sales of middle market automobile brands.

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Our after-sales services business has a higher gross profit margin than our automobile sales business. Our gross profit margin for after-sales services was 37.5%, 41.6% and 41.4%, respectively, for 2011, 2012 and 2013. In addition, the gross profit from our after-sales services accounted for 27.7%, 43.4% and 46.0%, respectively, of our total gross profit during the same periods. An increase in the revenue contribution of our after-sales services will help us improve our profitability.

The following table sets forth our revenue and gross profit for automobile sales and after-sales services for the periods indicated:

	Year ended December 31,														
	2011					2012					2013				
	Revenue	%	Gross Profit	%	Gross Margin	Revenue	%	Gross Profit	%	Gross Margin	Revenue	%	Gross Profit	%	Gross Margin
	(RMB'000)					(RMB'000)					(RMB'000)				
Automobile sales															
Luxury and ultra-luxury brands	4,410,970	82.5	353,833	68.6	8.0%	6,122,318	85.0	312,990	55.6	5.1%	6,308,165	84.9	336,655	54.0	5.3%
Middle market brands	556,514	10.4	19,319	3.7	3.5%	496,951	6.9	5,540	1.0	1.1%	431,200	5.8	568	0.0	0.1%
Subtotal.	4,967,484	92.9	373,152	72.3	7.5%	6,619,269	91.9	318,530	56.6	4.8%	6,739,365	90.7	337,223	54.0	5.0%
After-sales services															
Luxury and ultra-luxury brands	339,750	6.3	126,698	24.6	37.3%	536,336	7.4	225,930	40.2	42.1%	645,914	8.7	268,209	43.0	41.5%
Middle market brands	41,170	0.8	16,054	3.1	39.0%	49,627	0.7	18,027	3.2	36.3%	47,420	0.6	18,494	3.0	39.0%
Subtotal	380,920	7.1	142,752	27.7	37.5%	585,963	8.1	243,957	43.4	41.6%	693,334	9.3	286,703	46.0	41.4%
Total.	5,348,404	100.0	515,904	100.0	9.6%	7,205,232	100.0	562,487	100.0	7.8%	7,432,699	100.0	623,926	100.0	8.4%

Our Automobile Purchase Costs and Rebates from Automobile Suppliers

Our profitability is affected to a large extent by our costs of purchasing automobiles and spare parts from automobile suppliers and the rebates that they offer. The wholesale prices that we pay for new automobiles and spare parts are determined by the automobile suppliers and we do not exercise any control or influence over their pricing and business strategies. Our overall purchase costs of new automobiles can be affected by the rebates we receive from automobile suppliers based on the units of new automobiles we purchase or sell, depending on the rebate policies of automobile suppliers.

We believe that it is common practice in our industry for automobile suppliers to determine their rebate policies, which usually are not subject to negotiation with automobile dealerships. Automobile suppliers typically grant rebates in accordance with their internal policies and guidelines, which are generally determined with reference to the units of new automobiles which automobile dealers purchase or sell, and are further adjusted based on the automobile dealers' performance relative to the sales targets set by automobile suppliers. Automobile suppliers may also grant us additional rebates based on an evaluation of our overall performance, such as customer satisfaction, sales performance and marketing efforts. From time to time, automobile suppliers also offer special rebates for particular models of automobiles. These rebate amounts are settled from time to time according to the different business practices of different automobile suppliers. For 2011, 2012 and 2013, we recorded rebates of RMB71.1 million, RMB175.2 million and RMB226.8 million, respectively, which accounted for 13.8%, 31.1% and 36.4% of our gross profits during the same periods, respectively. The increases in rebate as a percentage of our

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gross profit for 2012 and 2013 were attributable to decreases in the average selling prices of the automobiles sold by us, while an increase in rebates we received as additional incentives provided by automobile suppliers to facilitate the sales of automobiles. During the Track Record Period, most of our rebates were settled by deducting the aggregate purchase price payable by us for subsequent automobile purchase orders with the rest paid to us in cash.

Rebates relating to automobiles purchased and sold are deducted from our cost of sales. Rebates relating to automobiles purchased but still held by us as inventory on the reporting date are deducted from the carrying value of these automobiles so that the cost of our inventory recorded on our balance sheet is recorded net of applicable rebates. There was no material discrepancy between accrued rebates and actual rebates we received from the automobile suppliers during the Track Record Period. Any significant change to our purchase costs and the rebates that we receive from automobile suppliers will affect our results of operation and financial condition. See “Risk Factors — Risks Relating to Our Business — We depend on the cooperation of automobile suppliers in many different aspects of our operations. If our relationship with any automobile supplier were to deteriorate, our business, results of operations and growth could be materially and adversely affected” in this prospectus.

Seasonality

The automobile dealership industry is subject to seasonality. According to ACMR, automobile dealerships tend to sell more automobiles in the fourth quarter of every year than other quarters. According to ACMR, for 2011, 2012 and 2013, the sales volume of new automobiles sold in the fourth quarter accounted for approximately 27.1%, 27.3% and 28.3%, respectively, of the total volume of new automobiles sold in China during the same periods. ACMR estimates that this was primarily due to the promotions and marketing events initiated by both automobile suppliers and dealers at the end of the year to promote the sales of new automobiles and to ensure that the annual sales targets set at the beginning of each year will be met, as well as the fact that people generally increase their spending on luxury items, such as automobiles, after they receive their year-end bonuses in the fourth quarter. As a result, our revenue generated by outlets that we had operated for at least one fiscal year in the fourth quarters of 2011, 2012 and 2013 accounted for 29.3%, 31.3% and 26.8%, respectively, of the total revenue of these outlets for 2011, 2012 and 2013. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single fiscal year may not be meaningful and should not be relied upon as indicators of our performance.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants’ Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

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Basis of Consolidation

The prospectus includes our consolidated financial information for the Track Record Period.

The acquisition of subsidiaries under common control has been accounted for using merger accounting principles. The acquisition of subsidiaries not under common control has been accounted for using the purchase method of accounting. The merger method of accounting involves incorporating the financial statement items of the consolidating entities in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities first came under the control of the controlling party.

No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the common control combination.

The consolidated statements of profit or loss include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All significant intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by our Group in the results and net assets of the companies now comprising our Group. Any excess of our Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognized immediately in the statements of profit or loss.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (a) the revenue from automobile sales is recognized when: 1) sales agreements have been formally signed; 2) goods delivered with risk transferred to customers; and 3) collection amount can be measured reliably.
- (b) the revenue from after-sales business is recognized when service is fully rendered and collection amount can be measured reliably.

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Vendor Rebates

Volume-related vendor rebates are recognized as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

The vendor rebates on purchases or sales of automobiles were accrued at each reporting date. The rebates from the automobile suppliers on our overall performance were accrued at each reporting date. There was no material discrepancy between accrued rebates and actual rebates we received from the automobile manufacturers during the Track Record Period.

Judgements and Estimates

The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these 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.

In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our management has formulated and implemented control measures with respect to our management's estimates in accordance with our internal management manual. We have not experienced any material deviation between our management's estimates and actual results and have not changed these estimates during the Track Record Period. Our management does not expect any changes in these estimates in the foreseeable future.

Judgements

In the process of applying our accounting policies, our management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in our financial statements:

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB7.8 million, RMB16.1 million and RMB16.8 million as of December 31, 2011, 2012 and 2013, respectively.

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Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets other than indefinite life intangible assets and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

We determine the estimated useful lives and related depreciation charges for our property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function. This estimate could change significantly as a result of technical innovations or competitor actions in response to severe industry cycles. Our management will increase the depreciation charge where useful lives are less than previously estimated lives or our management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

The following table sets forth the useful lives of our property, plant and equipment:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Leasehold improvements	The shorter of the lease terms and five years	—
Plant and machinery	Five to ten years	5%
Furniture and fixtures	Three to five years	5%
Motor vehicles	Four to five years	5%

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer-product industry cycles. Our management reassesses these estimates at the end of the reporting period.

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DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

The following summarizes certain key items of the Accountants' Report set out in Appendix I to this prospectus.

Revenue

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

	Year ended December 31,						
	2011		2012		2013		CAGR
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	
— Automobile sales	4,967,484	92.9	6,619,269	91.9	6,739,365	90.7	16.5
— After-sales services	380,920	7.1	585,963	8.1	693,334	9.3	34.9
Total	5,348,404	100.0	7,205,232	100.0	7,432,699	100.0	17.9

Our revenue increased from RMB5,348.4 million for 2011 to RMB7,205.2 million for 2012, and further to RMB7,432.7 million for 2013. These increases were primarily due to an increase in the number of outlets we operated and an increase in the sales volume of automobiles during the Track Record Period.

Sales of automobiles generated a substantial portion of our revenue, accounting for 92.9%, 91.9% and 90.7% of our revenue for 2011, 2012 and 2013, respectively. The contribution of our after-sales service business to our revenue increased from 7.1% for 2011 to 8.1% for 2012, and further to 9.3% for 2013, primarily due to our expanding cumulative pool of luxury and ultra-luxury brand automobile customers as a result of our new automobile sales growth in the previous years, as well as our increased marketing efforts for our after-sales services. All of our revenue is derived from our operations in the PRC.

The following table sets forth our average revenue per outlet that we had operated for at least one fiscal year for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Number of outlets	Average revenue per outlet	Number of outlets	Average revenue per outlet	Number of outlets	Average revenue per outlet
		(RMB in millions)		(RMB in millions)		(RMB in millions)
	7	731.8	12	525.7	18	405.2

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Our average revenue per outlet that we had operated for at least one fiscal year decreased from RMB731.8 million for 2011 to RMB525.7 million for 2012, and further to RMB405.2 million for 2013. The decreases in our average revenue per outlet that we had operated for at least one fiscal year were primarily due to the combination of following reasons. We opened five new outlets in 2011, including one Bentley outlet, one Audi outlet, one Volkswagen Imported outlet, one Cadillac outlet and one Lexus outlet. It took us time to fully ramp up the operations of these five stores. Furthermore, two of these five outlets are showrooms, which usually generate less revenue than 4S dealership stores as showrooms do not provide after-sales services. We opened six new outlets in 2012, including two Porsche outlets, one Bentley outlet, one Ferrari/Maserati outlet, one Audi outlet and one Volkswagen imported outlet, two of which are showrooms, and for the similar reasons, our average revenue per outlet that we had operated for at least one fiscal year further decreased for 2013.

The following table sets forth our revenue from outlets that we had operated for at least one fiscal year and from outlets that we have operated for less than one fiscal year for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
At least one fiscal year	5,122.4	95.8	6,308.0	87.5	7,293.5	98.1
Less than one fiscal year	226.0	4.2	897.2	12.5	139.2	1.9
Total	5,348.4	100.0	7,205.2	100.0	7,432.7	100.0

The following table sets forth the revenue and percentage of revenue contribution by automobile brand for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Ultra-luxury brands						
Porsche	1,162.7	21.7	1,942.2	27.0	2,077.9	28.0
Bentley	15.1	0.3	151.1	2.1	185.7	2.5
Ferrari/Maserati ⁽¹⁾	—	—	15.7	0.2	131.5	1.8
Subtotal	1,177.8	22.0	2,109.0	29.3	2,395.1	32.3
Luxury brands						
Audi	1,505.3	28.2	2,522.6	35.0	2,734.9	36.8
Volkswagen Imported ⁽²⁾	970.3	18.1	1,160.0	16.1	1,137.2	15.3
Lexus	588.7	11.0	489.9	6.8	334.9	4.5
Cadillac	508.6	9.5	350.4	4.8	328.3	4.4
Chrysler ⁽³⁾	—	—	26.7	0.4	13.8	0.2
Benz	—	—	—	—	2.5	0.0
Hongqi	—	—	—	—	7.4	0.1
Subtotal	3,572.9	66.8	4,549.6	63.1	4,559.0	61.3
Middle market brand						
Toyota	597.7	11.2	546.6	7.6	478.6	6.4
Total	5,348.4	100.0	7,205.2	100.0	7,432.7	100.0

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Notes:

- (1) We commenced the trial operation of the Ferrari/Maserati outlet in November 2012 and formally launched the outlet in April 2013.
- (2) In June 2013, we disposed of our Volkswagen Imported outlet in Yangzhou in Jiangsu Province. For more details, see “Our Business – Our Outlets – Dealership Arrangements”.
- (3) In August 2013, we terminated the operations of our Chrysler showroom in Yulin in Shaanxi Province after the trial operation. For more details, see “Our Business – Our Outlets – Dealership Arrangements”.

Our ultra-luxury automobiles have the highest average gross margin among the automobiles sold by us, and the gross margin of our middle market automobiles is lower than those of ultra-luxury and luxury automobiles.

The following table sets forth the sales volumes and average selling prices of each automobile brand we sold for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Volume	Average selling price	Volume	Average selling price	Volume	Average selling price
	(Unit)	(RMB)	(Unit)	(RMB)	(Unit)	(RMB)
Ultra-luxury Brands						
Porsche	1,010	1,085,267	1,814	993,635	1,956	974,806
Bentley	4	3,771,368	45	3,259,250	53	3,315,717
Ferrari/Maserati	—	—	7	2,240,537	75	1,744,987
Luxury Brands						
Audi	3,406	398,097	6,144	378,092	7,133	349,695
Volkswagen Imported	1,697	537,016	2,565	417,911	2,697	378,831
Cadillac	1,106	431,172	771	382,747	771	358,368
Lexus	914	607,938	824	535,011	597	467,898
Chrysler	—	—	99	268,936	43	318,732
Benz	—	—	—	—	3	832,667
Hongqi	—	—	—	—	24	288,167
Middle Market Brand						
Toyota	2,895	192,233	2,541	195,573	2,482	173,731
Total	<u>11,032</u>	<u>450,280</u>	<u>14,810</u>	<u>446,946</u>	<u>15,834</u>	<u>425,626</u>

The average selling prices of luxury and ultra-luxury brand automobiles offered by us generally decreased during the Track Record Period. These decreases were primarily due to (i) the fact that the mix of automobile models offered by us shifted to lower configuration models as our automobile suppliers have promoted sales of lower configuration models in order to cater to the change in customers’ demands given the change in market sentiment, as well as an increase in the supply of domestically-manufactured automobiles, which had lower prices than imported models; and (ii) the reduction of the selling prices of certain automobiles with low turnover rates by us pursuant to the policies and requests of our automobile suppliers in order to facilitate the turnover of older models. Please see “Our Business — Inventory Management” in this prospectus.

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Revenue from the sale of automobiles represents the sales of automobiles sold. Revenue from our after-sales services includes charges for maintenance, repair and other services rendered by us and revenue from the sales of spare parts and automobile accessories. We receive payment from automobile suppliers for the repair and maintenance services and spare parts provided by us under their warranties. The warranty terms offered by automobile suppliers generally cover services at any authorized 4S dealership store under their brands. The customers of our after-sales services include both our automobile buyers and customers who had purchased their automobiles elsewhere. The prices of the automobiles and maintenance services that we offer to our customers are affected by our automobile suppliers' pricing guidelines. We generally require customers to make full payment in cash when our products and services are delivered. Sales of automobiles and revenue generated from the provision of our after-sales services are generally subject to a 17% value-added tax (VAT). Our revenue is recorded exclusive of VAT.

Cost of Sales and Services

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

	Year ended December 31,					
	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
	<i>(RMB'000, except for percentages)</i>					
Cost of sales of automobiles	4,594,332	95.1	6,300,739	94.9	6,402,142	94.0
Cost of after-sales services	238,168	4.9	342,006	5.1	406,631	6.0
Total	<u>4,832,500</u>	<u>100.0</u>	<u>6,642,745</u>	<u>100.0</u>	<u>6,808,773</u>	<u>100.0</u>

Our cost of sales and services is primarily comprised of the cost of new automobiles purchased from automobile suppliers, which represented 95.1%, 94.9%, and 94.0% of our total cost of sales and services for 2011, 2012 and 2013, respectively. Our cost of sales and services also includes the costs of our after-sales services business, which is primarily comprised of the cost of purchasing spare parts for our repair, maintenance and automobile detailing services and the cost of purchasing other products that we sell.

We record the purchase of automobiles upon the delivery of automobiles to our outlets.

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Other Income and Gains, Net

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
		(RMB'000)	
Commission income	8,759	42,820	62,922
Service income	13,625	16,482	20,937
Interest income	2,913	2,333	3,260
Advertisement support received from automobile suppliers	4,345	3,396	—
Net gain/(loss) on disposal of property, plant and equipment	5,329	(1,526)	(2,040)
Gain on disposal of a subsidiary	—	—	4,704
Others	599	614	4,118
Total	35,570	64,119	93,901

Our other net income and gains primarily are comprised of commission received from insurance companies and finance companies for our automobile insurance agency service and automobile financing service, service income from the warehousing, management and distribution services provided by our FAW-Volkswagen spare parts distribution center, advertisement support received from automobile suppliers for the advertising activities we offer to promote their automobiles, interest income from our bank deposits and net gain/(loss) on disposal of property, plant and equipment, mainly from the disposal of test drive automobiles. For 2011, 2012 and 2013, other net income and gains were RMB35.6 million, RMB64.1 million and RMB93.9 million, respectively. Our commission income increased significantly from RMB8.8 million for 2011 to RMB42.8 million for 2012, and further to RMB62.9 million for 2013, primarily due to a significant increase in both commissions from automobile insurance agency services and automobile financing services, which were in turn due to a significant increase in the volume of such services provided by us during the same periods. For 2012 and 2013, we recorded a net loss on disposal of property, plant and equipment of RMB1.5 million and RMB2.0 million, respectively, primarily due to the loss arising from the disposal of test drive automobiles. We disposed of Yangzhou Sunfonda in 2013 and recorded a net gain of RMB4.7 million. For more details, please see “Our History and Reorganization — Corporate Reorganization — On-shore Reorganization”.

Selling and Distribution Costs

Our selling and distribution costs are primarily comprised of (i) advertising and promotion expenses for the automobiles and services that we offer, (ii) salary and welfare for our sales team and (iii) depreciation of property, plant and equipment, and amortization of the land use rights of our outlets.

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The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
		(RMB'000)	
Salary and welfare	30,553	38,337	42,073
Rental expenses	2,201	15,681	14,522
Advertising and promotion expenses	52,815	46,102	46,258
Depreciation and amortization	20,571	38,433	53,001
Logistics and petroleum costs	6,104	8,553	6,366
Office expenses	4,512	8,751	6,497
Travelling expenses	2,929	4,212	2,810
Others	19,963	15,978	20,864
Total	139,648	176,047	192,391

For 2011, 2012 and 2013, our selling and distribution costs were RMB139.6 million, RMB176.0 million and RMB192.4 million, respectively, representing 2.6%, 2.4%, and 2.6% of our revenue, respectively. Our salary and welfare increased from RMB30.6 million for 2011 to RMB38.3 million for 2012, primarily due to an increase in the head count of our sales and marketing personnel which in turn was attributable to the expansion of our outlet network. Our salary and welfare expenses remained relatively stable at RMB38.3 million and RMB42.1 million, respectively, for 2012 and 2013. Our depreciation and amortization increased from RMB20.6 million for 2011 to RMB38.4 million for 2012, and further to RMB53.0 million for 2013, primarily due to an increase in the amount of depreciable assets in connection with our new outlets that we opened during the period. Our rental expenses increased from RMB2.2 million for 2011 to RMB15.7 million for 2012, primarily due to our new outlets on leased land and in leased buildings.

Administrative Expenses

Our Administrative expenses principally include: (i) salary and welfare for our administration personnel; (ii) office supplies and utilities for our administrative activities; (iii) depreciation of property, plant and equipment, and amortization of the land use rights of our offices; and (iv) travelling and business entertainment expenses.

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

	Year ended December 31,		
	2011	2012	2013
	<i>(RMB'000)</i>		
Salary and welfare	29,934	41,763	47,473
Office supplies and utilities	23,440	28,223	24,932
Travelling and business entertainment	13,018	15,634	10,852
Depreciation and amortization	15,644	22,473	29,733
Taxation	8,540	12,705	14,774
Rental expenses	3,772	6,116	2,204
Bank charges	3,393	5,327	5,790
Professional fees	3,223	4,463	8,623
Others	9,061	8,855	7,889
Total	110,025	145,559	152,270

For 2011, 2012 and 2013, our administrative expenses were RMB110.0 million, RMB145.6 million and RMB152.3 million, representing 2.1%, 2.0% and 2.0% of our revenue, respectively. Our salary and welfare increased from RMB29.9 million for 2011 to RMB41.8 million for 2012, and further to RMB47.5 million for 2013, primarily due to an increase in the head count of our administration personnel, which in turn was attributable to the expansion of our outlets network. Our depreciation and amortization increased from RMB15.6 million for 2011 to RMB22.5 million for 2012, and further to RMB29.7 million for 2013, primarily due to an increase in the amount of depreciable assets in connection with our new outlets that we opened during the period. Our office supplies and utilities decreased from RMB28.2 million for 2012 to RMB24.9 million for 2013, primarily due to our increased cost control efforts by limiting the amount of office supplies expenditures and reducing utility consumption.

Finance Costs

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

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000, except for percentages)					
	Amount	%	Amount	%	Amount	%
Interest expense on bank borrowings wholly repayable within five years	30,901	75.4	88,333	75.7	102,592	82.3
Interest expense on other borrowings	10,093	24.6	32,193	27.6	25,531	20.5
Less: interest capitalized	—	—	(3,831)	(3.3)	(3,539)	(2.8)
Total	40,994	100.0	116,695	100.0	124,584	100.0

Our finance costs primarily include interest expenses on bank borrowings wholly repayable within five years and interest expense on other borrowings. Interest expense on other borrowings mainly includes interest we paid for bank notes and financing provided by automobile suppliers. For 2011, 2012 and 2013, our finance costs were RMB41.0 million, RMB116.7 million, and RMB124.6 million, representing 0.8%, 1.6% and 1.7% of our revenue, respectively. The increases in finance cost from 2011 to 2012 and 2013 were primarily due to our increased need for borrowings as a result of our business expansion.

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The effective interest rates of our bank borrowings and other borrowings ranged from 5.1% to 9.5% for 2011, 4.7% to 8.7% for 2012 and 5.9% to 8.7% for 2013. For 2012 and 2013, we capitalized interest of RMB3.8 million and RMB3.5 million, respectively, of borrowings related to the construction and development of our new outlets during the year.

Tax

Income tax expenses represent our total current and deferred tax expenses. During the Track Record Period, income tax expenses consisted entirely of tax expenses incurred by our PRC subsidiaries. Our PRC subsidiaries were subject to an enterprise income tax at the rate of 25%. For 2011, 2012 and 2013, our effective income tax rate was 25.6%, 25.5% and 25.3%, respectively.

We have decided that the retained profits of RMB714.2 million as of December 31, 2013 generated by our PRC subsidiaries which recorded distributable profits during the Track Record Period will be used to further expand our operations in China and will not be distributed to members of our Group incorporated outside the PRC in the foreseeable future. As a result, we have not provided for withholding taxes on such retained profits.

We have fully paid all relevant taxes due during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,		
	2011	2012	2013
		(RMB'000)	
Revenue	5,348,404	7,205,232	7,432,699
Cost of sales and services	(4,832,500)	(6,642,745)	(6,808,773)
Gross profit	515,904	562,487	623,926
Other income and gains, net	35,570	64,119	93,901
Selling and distribution costs	(139,648)	(176,047)	(192,391)
Administrative expenses	(110,025)	(145,559)	(152,270)
Profit from operations	301,801	305,000	373,166
Finance costs	(40,994)	(116,695)	(124,584)
Profit before tax	260,807	188,305	248,582
Income tax	(66,809)	(48,091)	(62,969)
Profit for the year	193,998	140,214	185,613
Attributable to:			
Owners of the parent	193,998	140,214	185,636

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2013 Compared with 2012

Revenue. Our revenue remained relatively stable at RMB7,205.2 million and RMB7,432.7 million, respectively, for 2012 and 2013.

Revenue from sales of automobiles remained relatively stable at RMB6,619.3 million and RMB6,739.4 million, respectively, for 2012 and 2013.

Revenue from after-sales services increased by 18.3% from RMB586.0 million for 2012 to RMB693.3 million for 2013, primarily due to an increase in the throughput volume of after-sales services provided by our luxury and ultra-luxury outlets, which was primarily attributable to our expanding cumulative pool of luxury and ultra-luxury brand automobile customers as a result of our new automobile sales growth in the previous years, as well as our increased marketing efforts for our after-sales services, including more frequent follow-ups with our customers and promotional events.

Cost of sales and services. Our cost of sales and services remained relatively stable at RMB6,642.7 million and RMB6,808.8 million, respectively, for 2012 and 2013. Cost of sales of new automobiles remained relatively stable at RMB6,300.7 million and RMB6,402.1 million, respectively, for 2012 and 2013. As a percentage of revenue, our cost of sales of automobiles remained relatively stable at 87.4% and 86.1%, respectively, for 2012 and 2013. Cost of after-sales services increased by 18.9% from RMB342.0 million for 2012 to RMB406.6 million for 2013, which was primarily attributable to the increase in revenue from after-sales services.

Gross profit. Our gross profit increased by 10.9% from RMB562.5 million for 2012 to RMB623.9 million for 2013. Our gross margin increased from 7.8% for 2012 to 8.4% for 2013, primarily due to increases in the gross margins of both sales of new automobiles and after-sales services.

Our gross profit from sales of luxury and ultra-luxury automobiles increased by 7.6% from RMB313.0 million for 2012 to RMB336.7 million for 2013, primarily due to an increase in the sales volume of luxury and ultra-luxury automobiles and an increase in the gross profit margin from sales of luxury and ultra-luxury automobiles. Our gross margin from sales of luxury and ultra-luxury automobiles increased from 5.1% for 2012 to 5.3% for 2013, primarily due to an increase in the revenue contribution from sales of ultra-luxury automobile models, in particular Porsche and Ferrari, as a result of the ramp-up of one Porsche outlet opened in February 2012 and one new Porsche outlet, one new Bentley outlet and one new Ferrari/Maserati outlet opened in late 2012. Our ultra-luxury automobile models generally have higher gross margins than other models. Our gross profit from sales of middle market automobiles decreased significantly from RMB5.5 million for 2012 to RMB0.6 million for 2013, and our gross profit margin from sales of middle market automobiles decreased from 1.1% to 0.1% during the same periods, primarily due to a change in market sentiment towards Japanese automobiles in the PRC. For more details, please see “Risk Factors — Risks Relating to Our Business — We may not be able to sustain growth rates similar to those we experienced during the Track Record Period, or maintain our financial performance in the future” and “Our Business — Industry — Recent Developments”.

Our gross profit from after-sales services increased by 17.5% from RMB244.0 million for 2012 to RMB286.7 million for 2013, primarily due to an increase in gross profit from after-sales services provided to luxury and ultra-luxury automobiles as a result of an increase in the throughput volume of luxury and ultra-luxury automobiles. Our gross margin from after-sales services remained relatively stable at 41.6% and 41.4%, respectively, for 2012 and 2013.

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Other income and gains, net. Other net income and gains increased by 46.5% from RMB64.1 million for 2012 to RMB93.9 million for 2013, primarily due to an increase in commission income, mainly reflecting a significant increase in both commission from automobile insurance agency services and automobile financing services, which was in turn due to a significant increase in the amount of such services provided by us, and, to a lesser extent, a gain on disposal of our subsidiary Yangzhou Sunfonda.

Selling and distribution costs. Our selling and distribution costs increased by 9.3% from RMB176.0 million for 2012 to RMB192.4 million for 2013. This increase was primarily due to an increase in depreciation and amortization, primarily reflecting an increase in the amount of depreciable assets in connection with our new outlets. As a percentage of revenue, sales and distribution costs remained stable at 2.4% and 2.6%, respectively, for 2012 and 2013.

Administrative expenses. Our administrative expenses increased by 4.6% from RMB145.6 million for 2012 to RMB152.3 million for 2013, primarily due to (i) an increase in depreciation and amortization as a result of an increase in the amount of depreciable assets in connection with our new outlets; and (ii) an increase in salary and welfare costs as a result of an increase in the head count of our administration personnel, which in turn was attributable to the expansion of our sales network. This increase was partially offset by (i) a decrease in travelling and business entertainment expenses as a result of our increased cost control efforts; and (ii) a decrease in the purchase of office supplies and utilities as a result of our increased cost control efforts, whereby we reduced the budgets for office supplies and reduced our utility consumption. As a percentage of revenue, administrative expenses remained stable at 2.0% for both 2012 and 2013.

Profit from operations. As a result of the foregoing, our profit from operations increased by 22.4% from RMB305.0 million for 2012 to RMB373.2 million for 2013. Our operating profit margin increased from 4.2% for 2012 to 5.0% for 2013, primarily due to an increase in our gross margin.

Finance costs. Our finance costs increased by 6.8% from RMB116.7 million for 2012 to RMB124.6 million for 2013. Our interest expense on bank borrowings wholly payable within five years increased from RMB88.3 million for 2012 to RMB102.6 million for 2013, primarily due to an increase in the amount of our bank borrowings in late 2012. Our interest expense on other borrowings decreased by 20.8% from RMB32.2 million for 2012 to RMB25.5 million for 2013, primarily due to (i) an increase in the use of bank loans to replace the bank acceptance notes used to pay for the purchases of new automobiles, as the latter had higher interest rates; and (ii) our improved liquidity position because we used bank acceptance notes with shorter terms.

Profit before tax. As a result of the foregoing, our profit before tax increased by 32.0% from RMB188.3 million for 2012 to RMB248.6 million for 2013.

Income tax. Our income tax increased by 31.0% from RMB48.1 million for 2012 to RMB63.0 million for 2013 as a result of an increase in our taxable income. Our effective income tax rate decreased from 25.5% for 2012 to 25.3% for 2013.

Profit for the year. As a result of the cumulative effect of the foregoing, our profit for the year increased by 32.4% from RMB140.2 million for 2012 to RMB185.6 million for 2013. Our net profit margin increased from 1.9% for 2012 to 2.5% for 2013.

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2012 Compared with 2011

Revenue. Our revenue increased by 34.7% from RMB5,348.4 million for 2011 to RMB7,205.2 million for 2012, primarily due to an increase in revenue from sales of automobiles.

Revenue from sales of automobiles increased by 33.3% from RMB4,967.5 million for 2011 to RMB6,619.3 million for 2012, primarily due to an increase in the overall sales volume of automobiles from 11,032 units for 2011 to 14,810 units for 2012 as a result of the growth of our outlets that were opened before 2012 and, to a lesser extent, the addition of eight new outlets during 2012.

Revenue from after-sales services increased by 53.8% from RMB380.9 million for 2011 to RMB586.0 million for 2012, primarily due to an increase in the throughput volume of after-sales services provided by our luxury and ultra-luxury brand outlets, which demanded higher services fee than our middle market brand outlets. The increase in the throughput volume of after-sales services provided by our luxury and ultra-luxury brand stores was primarily due to our expanding cumulative pool of luxury and ultra-luxury brand automobile customers as a result of our new automobile sales growth in the previous years, which in turn generated demand for services when warranties on the related automobiles expired.

Cost of sales and services. Our cost of sales and services increased by 37.5% from RMB4,832.5 million for 2011 to RMB6,642.7 million for 2012. This increase was generally due to the growth in our sales of new automobiles for 2012. As a percentage of revenue, our cost of sales of automobiles remained relatively stable at 85.9% and 87.4% for 2011 and 2012, respectively. Our cost of after-sales services increased by 43.6% from approximately RMB238.2 million for 2011 to RMB342.0 million for 2012, which was in line with the increase in revenue of after-sales services.

Gross profit. For the foregoing reasons, our gross profit increased by 9.0% from RMB515.9 million for 2011 to RMB562.5 million for 2012. Our gross margin decreased from 9.6% for 2011 to 7.8% for 2012, primarily due to decreases in the gross margins of both luxury and ultra-luxury models and middle market models, partially offset by an increase in the gross margin of after-sale services.

Our gross profit from sales of luxury and ultra-luxury automobiles decreased by 11.5% from RMB353.8 million for 2011 to RMB313.0 million for 2012. Our gross margin from the sales of luxury and ultra-luxury automobiles decreased from 8.0% for 2011 to 5.1% for 2012. This decrease was primarily due to the shift in the mix of luxury and ultra-luxury automobile models to low configuration models as our automobile suppliers have increasingly promoted sales of lower configuration automobile models in order to cater to the changes in customers' demands. In addition, we reduced the selling prices of certain older models pursuant to the policies and requests of our automobile suppliers. However, our procurement prices for new automobiles from our automobile suppliers did not decrease by the same rate as the decrease in the average selling price of new automobiles. Nevertheless, we achieved a positive gross margin from such sales after taking into account the vendor rebates we received. Gross profit from the sales of middle market automobiles decreased by 71.5% from RMB19.3 million for 2011 to RMB5.5 million for 2012. Our gross margins from the sales of middle market automobiles decreased from 3.5% for 2011 to 1.1% for 2012, which was primarily due to a change in market sentiment towards Japanese automobiles in the PRC. For more details, please see "Risk Factors – Risks Relating to Our Business – We may not be able to sustain growth rates similar to those we experienced during the Track Record Period, or maintain our financial performance in the future" and "Our Business – Industry – Recent Developments".

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Our gross profit from after-sales services increased by 70.9% from RMB142.8 million for 2011 to RMB244.0 million for 2012, primarily due to an increase in the gross profit of after-sales services provided to luxury and ultra-luxury automobiles as a result of an increase in the throughput volume of luxury and ultra-luxury automobiles. Our gross margin for after-sales services increased from 37.5% for 2011 to 41.6% for 2012, primarily due to an increase in the revenue contribution from luxury and ultra-luxury automobiles and, to a lesser extent, an increase in the revenue contribution from accessory installation, personalized modification and automobile beautification, all of which had higher gross margins than other after-sales services.

Other income and gains, net. Other net income and gains increased by 80.1% from RMB35.6 million for 2011 to RMB64.1 million for 2012, primarily due to an increase in commission income from our agency services during 2012, which was partially offset by a net loss on the disposal of property, plant and equipment arising from the disposal of test drive automobiles.

Selling and distribution costs. Our selling and distribution costs increased by 26.1% from RMB139.6 million for 2011 to RMB176.0 million for 2012. This increase was primarily due to (i) an increase in depreciation and amortization due to our new outlets opened during 2012 and (ii) an increase in salary and welfare costs as a result of an increase in the head count of our sales and marketing personnel which in turn was attributable to the expansion of our outlet network, and which was partially offset by a decrease in advertising and promotion expenses, primarily because we utilized more directed marketing approaches and reduced our spending on advertising through mass media. As a percentage of revenue, sales and distribution costs remained relatively stable at 2.6% and 2.4% for 2011 and 2012, respectively.

Administrative expenses. Our administrative expenses increased by 32.4% from RMB110.0 million for 2011 to RMB145.6 million for 2012, primarily due to (i) an increase in salary and welfare costs as a result of an increase in the head count of our administration personnel which in turn was attributable to the expansion of our outlets network, (ii) an increase in depreciation and amortization due to our new outlets opened during 2012 and (iii) an increase in office supplies and utilities purchased as a result of the expansion of our outlets network and the growth of our business. As a percentage of revenue, administrative expenses remained relatively stable at 2.1% and 2.0% for 2011 and 2012, respectively.

Profit from operations. As a result of the foregoing, our profit from operations increased by 1.1% from RMB301.8 million for 2011 to RMB305.0 million for 2012. Our operating profit margin decreased from 5.6% for 2011 to 4.2% for 2012, primarily due to a decrease in our gross margin and increases in our selling and distribution costs and administrative expenses.

Finance costs. Our finance costs increased significantly from RMB41.0 million for 2011 to RMB116.7 million for 2012. Our interest expense on bank borrowings wholly payable within five years increased significantly from RMB30.9 million for 2011 to RMB88.3 million for 2012, primarily due to a significant increase in the amount of our bank borrowings during 2012, primarily reflecting our increased need for capital as a result of (i) eight new stores opened in 2012, and (ii) expenditures for the acquisition of land use rights and the construction of stores under development. Our interest expense on other borrowings increased significantly from RMB10.1 million for 2011 to RMB32.2 million for 2012, primarily due to our increased use of bank acceptance notes to pay for the purchases of new automobiles driven by our business growth.

Profit before tax. As a result of the foregoing, our profit before tax decreased by 27.8% from RMB260.8 million for 2011 to RMB188.3 million for 2012.

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Income tax. Our income tax decreased by 28.0% from RMB66.8 million for 2011 to RMB48.1 million for 2012 as a result of a decrease in our taxable income. Our effective income tax rate remained relatively stable at 25.6% and 25.5% for 2011 and 2012, respectively.

Profit for the year. As a result of the cumulative effect of the foregoing, our profit for the year decreased by 27.7% from RMB194.0 million for 2011 to RMB140.2 million for 2012. Our net profit margin decreased from 3.6% for 2011 to 1.9% for 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new outlets, including purchase of land use rights and construction costs, and to fund our working capital and normal operating expenses. Historically, we have financed our liquidity requirements through a combination of cash flows generated from our operating activities, bank loans and other borrowings, including financing provided by our Shareholders and by the financing institutions owned by automobile suppliers in the PRC, and capital injection from our Shareholders, including Standard Chartered Private Equity. We expect the finance costs of our Group to increase as our inventory level and prepayments for new automobiles grow due to the continuing expansion of our business. Our operating cash flows in 2013 were positive and our operating cashflows in 2011 and 2012 were negative. Please see “Risk Factors — Risks Relating to Our Business — We have recorded, and may continue to record, negative operating cash flows due to our rapid expansion” in this prospectus. We have historically repaid our bank acceptance notes and repaid or rolled over our bank loans when due. During the Track Record Period, we did not experience any significant difficulties in rolling over our bank loans. Taking into account our existing cash and cash equivalents of RMB306.8 million as of February 28, 2014, and the fact that we had positive net operating cash flow of RMB403.2 million for 2013, anticipated cash flow from our operating activities, undrawn and unrestricted bank facilities of RMB1.2 billion as of February 28, 2014 (out of our total bank credit facilities of RMB3.4 billion) and the net proceeds expected to be received from the Global Offering, our Directors are satisfied that, after due and careful inquiry, we have sufficient working capital available to satisfy our requirements, including to fund our planned dealership network expansion, for at least 12 months following the date of this prospectus.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
		(RMB'000)	
Net cash generated from/(used in) operating activities . . .	(12,851)	(294,484)	403,155
Net cash used in investing activities	(375,790)	(383,038)	(357,724)
Net cash generated from financing activities	430,167	734,838	78,858
Net increase in cash and cash equivalents	41,526	57,316	124,289
Cash and cash equivalents at the end of year	271,442	328,741	451,930

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Cash Flow Generated from/(Used in) Operating Activities

For 2013, our net cash generated from operating activities was RMB403.2 million, which was mainly attributable to a profit before taxation of RMB248.6 million adjusted for a decrease in working capital. The decrease in working capital primarily reflected (i) a decrease in pledged bank deposits of RMB108.8 million, primarily due to our decreased use of pledged bank deposits to secure bank acceptance notes, as we used more bank loans to replace the bank acceptance notes used to pay for the purchases of new automobiles with a view to reducing our finance costs, as well as our improved liquidity position because we used bank acceptance notes with shorter terms; and (ii) a decrease in prepayments, deposits and other receivables of RMB54.9 million as a result of a decrease in prepayments and deposits to automobile suppliers as we tightened the management of prepayments to automobile suppliers to improve our liquidity position, partially offset by a decrease in trade and bills payables of RMB117.4 million, primarily due to a decrease in bills payables due to the suppliers of our after-sales services as a result of our using bank acceptance notes with shorter terms.

For 2012, our net cash used in operating activities was RMB294.5 million, which was mainly attributable to profit before taxation of RMB188.3 million adjusted by (i) an increase in inventories of RMB303.5 million, primarily due to our dealership network expansion, which in turn required us to maintain higher inventories for the new stores, an increase in automobile procurement as a result of an increase in sales targets provided by our major automobile suppliers, and a slow turnover of our inventories as a result of the general economic condition; (ii) an increase in pledged bank deposits of RMB192.6 million, primarily due to an increase in our use of bank acceptance notes; (iii) an increase in prepayments, deposits and other receivables of RMB138.4 million primarily due to our dealership network expansion, which required us to purchase more automobiles and make more prepayments in 2012; and (iv) a decrease in other payables and accruals of RMB108.8 million, primarily due to a decrease in advances from customers as a result of a decrease in our customers' orders for new automobiles, which were partially offset by an increase in trade and bills payables of RMB208.7 million as a result of an increase in purchase of automobiles and spare parts.

We had negative net cash flow from operating activities for 2012, mainly due to (i) our need to increase our inventories for the eight new stores (including one Ferrari/Maserati outlet which commenced trial operations in November 2012) opened in 2012 as a result of our outlet network expansion; and (ii) our need to make prepayments for our automobile purchases. There is typically a time lapse ranging from three to 15 days, and in extreme cases, 30 days, before the related automobiles are delivered to our stores for sale. As a result, our prepayments for automobile purchases are reflected in our operating cash flows before the proceeds from the related automobile sales are received. The automobile purchases made in anticipation of increased sales for future periods result in significant cash outflow for the current period. Due to our continued expansion plan, we are likely to continue to have negative operating cash flow in the foreseeable future, particularly during the ramp-up period required by our newly opened outlets. Please refer to the section headed "Our Business — Our Outlets — Dealership Network Expansion" for a description of our planned network expansion.

For 2011, our net cash used in operating activities was RMB12.9 million, which was mainly attributable to a profit before taxation of RMB260.8 million adjusted for the increase in working capital requirements. The increase in working capital primarily reflected (i) an increase in inventories of RMB251.4 million, primarily due to our dealership network expansion, which in turn required us to maintain higher inventories for the new outlets; (ii) an increase in prepayments, deposits and other receivables of RMB248.3 million, primarily due to our

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dealership network expansion, which required us to purchase more automobiles and make more prepayments in 2011; and (iii) an increase in pledged bank deposits of RMB184.6 million to secure increased bills payables, which were partially offset by (i) an increase in trade and bills payables of RMB288.6 million, primarily due to an increase in purchase of automobiles and spare parts; and (ii) an increase in other payables and accruals of RMB109.7 million, primarily due to an increase in advances we received from our customers as a result of an increase in customer orders for new automobiles.

Our net cash flow from operating activities was negative for 2011, mainly due to (i) our need to purchase inventory for the five new stores opened in 2011 as a result of our outlet network expansion; and (ii) our need to make prepayments for our automobile purchases.

Cash Flow Used in Investing Activities

For 2013, our net cash used in investing activities was RMB357.7 million, consisting primarily of (i) the purchases of property, plant and equipment of RMB353.6 million; and (ii) the purchases of land use rights of RMB148.3 million for our new outlets, both of which were primarily due to our five new outlets opened in 2013 and additional planned outlets.

For 2012, our net cash used in investing activities was RMB383.0 million, consisting primarily of (i) the purchases of property, plant and equipment of RMB276.1 million, primarily due to the expansion of our dealership network; and (ii) the purchases of land use rights of RMB160.3 million for our new outlets.

For 2011, our net cash used in investing activities was RMB375.8 million, consisting primarily of (i) the purchases of property, plant and equipment of RMB267.0 million, primarily due to the expansion of our dealership network; and (ii) the purchases of land use rights of RMB141.1 million for our new outlets.

Cash Flow Generated from Financing Activities

For 2013, our net cash generated from financing activities was RMB78.9 million, consisting primarily of proceeds from bank loans and other borrowings of RMB4,113.2 million, partially offset by repayment of bank loans and other borrowings of RMB3,913.0 million. Our net cash generated from financing activities for 2013 remained minimal as a result of our improved cash flow generated from operating activities.

For 2012, our net cash generated from financing activities was RMB734.8 million, consisting primarily of proceeds from bank loans and other borrowings of RMB3,824.9 million, primarily due to our increased need for working capital for increased inventories as a result of our business expansion, which was partially offset by repayment of bank loans and other borrowings of RMB2,969.5 million.

For 2011, our net cash generated from financing activities was RMB430.2 million, consisting primarily of proceeds from bank loans and other borrowings of RMB2,553.0 million, primarily due to our increased need for working capital as a result of our business expansion, which was partially offset by repayment of bank loans and other borrowings of RMB2,251.9 million.

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NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of
	2011	2012	2013	February 28, 2014
	(RMB'000)			
Current assets				
Inventories	449,505	753,021	730,594	924,250
Trade receivables	16,223	47,481	50,841	48,474
Prepayments, deposits and other receivables	490,150	628,501	565,303	683,013
Amounts due from related parties	—	—	6,371	9,159
Pledged bank deposits	208,381	400,994	292,209	369,260
Cash in transit	17,397	19,610	33,240	7,605
Cash and cash equivalents	271,442	328,741	451,930	306,797
Total current assets	1,453,098	2,178,348	2,130,488	2,348,558
Current liabilities				
Interest bearing bank loans and other borrowings	534,684	1,425,582	1,523,674	1,668,698
Trade and bills payables	356,471	565,194	444,792	519,740
Other payables and accruals	314,336	219,873	190,355	193,600
Amounts due to related parties	29,381	9,280	7,684	—
Income tax payable	71,689	34,844	39,400	35,395
Total current liabilities	1,306,561	2,254,773	2,205,905	2,417,433
Net current assets/(liabilities)	146,537	(76,425)	(75,417)	(68,875)

As of December 31, 2012, we had net current liabilities of RMB76.4 million, which was primarily due to a significant increase in short-term bank borrowings from RMB485.0 million as of December 31, 2011 to RMB1,337.4 million as of December 31, 2012 in order to fund the expansion of our business. Part of our short-term loans were used to finance the purchase of our property, plant and equipment and to provide pre-payment for purchase of land use rights, which are non-current assets. As of February 28, 2014, our net current liabilities decreased slightly to RMB68.9 million from December 31, 2013. As of December 31, 2013, our net current liabilities remained relatively stable at RMB75.4 million compared to December 31, 2012. As of February 28, 2014, we had unutilized and unrestricted banking facilities of RMB1.2 billion. Our Directors believe that, with the available banking facilities, the cash generated from our operating activities and the net proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position in the future. See “Risk Factors — Risks Relating to Our Business — We had net current liabilities position as of December 31, 2012 and 2013”. As of December 31, 2011, we had net current assets of RMB146.5 million.

All amounts due to and due from related parties that are non-trade in nature will be fully settled before the Listing.

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CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period were primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the Track Record Period, our total capital expenditures were RMB409.6 million, RMB439.8 million and RMB502.2 million, respectively. The following table sets forth our expenditures on property, plant and equipment, land use rights and intangible assets for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Purchase of property, plant and equipment	266,970	276,073	353,560
Purchase of land use rights	141,148	160,300	148,278
Purchase of intangible assets	1,518	3,401	328
Total	409,636	439,774	502,166

As of the Latest Practicable Date, we planned to open 11 additional outlets. We estimate that the capital expenditure required for these outlets will range from RMB30 million to RMB80 million per outlet, depending on factors such as location and the brands of the outlets. We expect to use 30% of the capital expenditures for the acquisition of land use rights, 55% for the construction and decoration of our outlets, 10% for equipment and furniture and 5% for the procurement of test drive automobiles. The estimated capital expenditures for each new outlet are in line with the historical capital expenditures we have incurred.

As of December 31, 2013, we expected to incur approximately RMB805.7 million of capital expenditures for our planned outlets by the end of 2014, of which approximately RMB365.7 million of capital expenditures have already been incurred as of December 31, 2013. We expect to fund the remaining capital expenditures primarily through the net proceeds from the Global Offering and cash generated from our operations.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments in respect of land use rights and buildings and investee companies as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Contracted, but not provided for land use rights and buildings	20,347	76,114	39,723

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OPERATING LEASE COMMITMENTS

The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Within one year	14,686	16,568	19,832
After one year but within five years	57,829	51,178	67,735
After five years	58,598	49,375	45,202
Total	131,113	117,121	132,769

Operating lease commitments decreased from RMB131.1 million as of December 31, 2011 to RMB117.1 million as of December 31, 2012, primarily because we terminated the lease of two properties that we no longer needed. Operating lease commitments increased to RMB132.8 million as of December 31, 2013, primarily because we entered into lease agreements for our new and planned outlets during 2013.

INVENTORY

During the Track Record Period, our inventories primarily consisted of new automobiles, spare parts and accessories. Each of our outlets individually manages their orders for new automobiles and after-sales products. We coordinate and aggregate orders for automobile accessories and other automobile-related products across our 4S dealership network.

The following table sets forth a summary of our total inventories as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Automobiles	418,358	703,801	655,677
Spare parts and accessories	31,147	49,220	74,917
Total	449,505	753,021	730,594

The following table sets forth a breakdown of our inventories by brand segment as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Ultra-luxury brands	145,570	224,890	251,894
Luxury brands	278,694	488,209	409,790
Middle market brand	25,241	39,922	68,910
Total	449,505	753,021	730,594

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Our inventories decreased by RMB22.4 million from RMB753.0 million as of December 31, 2012 to RMB730.6 million as of December 31, 2013, primarily due to a decrease in our inventories of new automobiles, in particular those of luxury and ultra-luxury brands, primarily due to the fact that (i) we increased our sales efforts to facilitate the turnover of older models and sold more luxury and ultra-luxury automobiles for 2013 as compared to 2012. As a result of our increased sales efforts, our average inventory turnover days decreased from 40.8 days for 2012 to 38.6 days for 2013; and (ii) we only slightly increased our procurement because the sales targets for 2013 only marginally increased from 2012.

Our inventories increased by RMB303.5 million from RMB449.5 million as of December 31, 2011 to RMB753.0 million as of December 31, 2012, primarily due to an increase in our inventories of new automobiles from RMB418.4 million as of December 31, 2011 to RMB703.8 million as of December 31, 2012. This primarily reflected (i) an increase in procurement of new automobiles attributable to an increase in sales targets of our major automobile suppliers as a result of their high expectations, compared with the actual general economic condition, which resulted in a slower turnover of our inventories, and (ii) the opening of eight new outlets (including one Ferrari/Maserati outlet which commenced trial operation in 2012) as a result of our dealership network expansion.

As of February 28, 2014, the subsequent utilization and sales of our inventories as of December 31, 2013 was RMB455.5 million.

We provide inventory provision on an item-by-item basis when the carrying value of the inventories is higher than their net realizable value. Net realizable value is determined based on the estimated selling price of the relevant inventories in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. We did not record any inventory provisions during the Track Record Period.

Certain of our inventories with a carrying amount of RMB77.1 million, RMB105.3 million and RMB180.5 million as of December 31, 2011, 2012 and 2013, respectively, were pledged as security for our Group's bank loans and other borrowings. Certain of our inventories with a carrying amount of RMB25.2 million, RMB76.4 million and RMB113.0 million as of December 31, 2011, 2012 and 2013, respectively, were pledged as security for our Group's bills payables. 22.8%, 24.1% and 40.2% of our inventories were pledged to secure our bank loans, other borrowings and bills payables as of December 31, 2011, 2012 and 2013, respectively. The increase in pledged inventories during the Track Record Period was primarily due to an increase in secured borrowings due to our increased need for working capital as a result of our business expansion.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average inventory turnover days ⁽¹⁾	<u>33.5</u>	<u>40.8</u>	<u>38.6</u>

Note:

(1) The average inventory turnover days for a year is the closing inventory balance divided by the cost of sales and services for that year and multiplied by 360 days.

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The following table sets forth our average inventory turnover days by brand segment for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Ultra-luxury brands	51.0	43.4	43.9
Luxury brands	30.9	41.3	34.4
Middle market brand	16.2	27.5	54.0

Our average inventory turnover days were increased from 33.5 days for 2011 to 40.8 days for 2012, primarily due to significant increases in inventory balances because (i) we needed to build up inventories for our new outlets opened during these periods; and (ii) our automobile suppliers increased their sales targets. Our average inventory turnover days decreased to 38.6 days for 2013, primarily due to a decrease in inventories due to the fact that (i) we increased our sales efforts to facilitate the turnover of older models and sold more luxury and ultra-luxury automobiles for 2013 as compared to 2012; and (ii) we only slightly increased our procurement because the sales targets for 2013 only marginally increased from 2012.

In 2012 and 2013, we reduced the selling prices of certain older models of automobiles pursuant to the policies and requests of our automobile suppliers. However, our procurement prices of new automobiles from automobile suppliers did not decrease by the same rate as the decrease in the average selling price of new automobiles. Nevertheless, we achieved a positive gross margin from such sales after taking into account the vendor rebates we received. In addition, our average inventory turnover days remained relatively low. As a result, our Directors believe that it is not necessary to make any adjustment to the inventory valuation.

To effectively manage our inventories, we usually consider automobiles that have not been sold within six months to be aged inventories, and we will increase our efforts to sell these aged inventories. The following table sets forth the aging analysis of our automobiles as of December 31, 2013:

	Total	Within 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	Over 3 years
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Automobiles	<u>655,677</u>	<u>622,226</u>	<u>23,992</u>	<u>9,459</u>	<u>—</u>	<u>—</u>

As of December 31, 2013, we had inventories of RMB33,451 million, aged from six months to two years, which accounted for 5.1% of our total inventories of automobiles as of that date.

Because we have historically been able to sell these inventories aged over six months with a positive gross margin, our Directors are of the view that no provision for impairment is necessary in respect of these aged inventories.

TRADE RECEIVABLES

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Trade receivables	<u>16,223</u>	<u>47,481</u>	<u>50,841</u>

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Our trade receivables are mainly attribute to fleet sales with a payment term of one to three months, after-sales services to fleet sales customers with a payment term of three to six months, and repair service charges settled through insurance companies with a payment term within three weeks. Our trade receivables increased from RMB16.2 million as of December 31, 2011 to RMB47.5 million as of December 31, 2012 as a result of our after-sale services business growth. Our trade receivables increased to RMB50.8 million as of December 31, 2013, primarily due to the expansion of our operation in 2013.

The table below sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Within 3 months	14,473	44,476	48,116
More than 3 months but less than 1 year	1,714	2,586	2,085
Over 1 year	36	419	640
Total	16,223	47,481	50,841

The table below sets forth the aging analysis of our trade receivables that are not considered to be impaired as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Neither past due nor impaired	16,187	47,062	50,201
Over one year past due	36	419	640
Total	16,223	47,481	50,841

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances, which are still considered fully recoverable, as there has not been a significant change in the credit quality of these customers. We do not hold any collateral or other credit enhancements over our trade receivables.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average trade receivables turnover days ⁽¹⁾	1.1	2.4	2.5

Note:

(1) The average trade receivables turnover days for a year is the closing gross trade receivables balance divided by revenue for that year and multiplied by 360 days.

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We maintained short turnover days during 2011, 2012 and 2013, mainly due to our sales typically being settled by cash. The average trade receivables turnover days increased for 2012 and 2013, primarily due to the growth of our after-sales services business. As of February 28, 2014, we had settled trade receivables of RMB35.9 million, or 70.7%, of the trade receivables as of December 31, 2013.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES OF CURRENT ASSETS

The following table sets forth our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Prepayments and deposits to suppliers	465,194	545,592	437,897
Vendor rebate receivables	9,273	44,690	77,083
VAT recoverables	5,886	18,657	21,925
Others	9,797	19,562	28,398
Total	<u>490,150</u>	<u>628,501</u>	<u>565,303</u>

Our prepayments, deposits and other receivables of current assets decreased from RMB628.5 million as of December 31, 2012 to RMB565.3 million as of December 31, 2013, primarily due to a decrease in prepayments and deposits to automobile suppliers as we tightened the management of prepayments to automobile suppliers to improve our liquidity position. The increase in our prepayments, deposits and other receivables of current assets as of December 31, 2012 was primarily attributable to an increase in prepayments and deposits to suppliers in 2012 as a result of our business expansion.

PREPAYMENTS FOR NON-CURRENT ASSETS

The following table sets forth our prepayments as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Prepayments.	<u>118,011</u>	<u>257,948</u>	<u>132,841</u>

Prepayments for non-current assets decreased by 48.5% from RMB257.9 million as of December 31, 2012 to RMB132.8 million as of December 31, 2013, primarily due to the transfer of the prepayments of RMB203.7 million for land use rights upon completion of the acquisition of such rights, partially offset by new prepayments of RMB73.9 million made by us during 2013. Prepayments for non-current assets increased significantly from RMB118.0 million as of December 31, 2011 to RMB257.9 million as of December 31, 2012, primarily due to a significant increase in prepayments for the acquisition of land use rights for new outlets as a result of our business expansion.

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INTANGIBLE ASSETS

Intangible assets mainly includes computer software. The following table sets forth the value of our intangible assets as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Intangible assets.	<u>1,495</u>	<u>4,488</u>	<u>4,239</u>

Intangible assets remained relatively stable as of December 31, 2012 and 2013. Intangible assets increased from RMB1.5 million as of December 31, 2011 to RMB4.5 million as of December 31, 2012, primarily because we purchased an enterprise application suite.

DEFERRED TAX ASSETS

The following table sets forth our deferred tax assets as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Deferred tax assets.	<u>7,767</u>	<u>16,074</u>	<u>16,816</u>

Deferred tax assets increased significantly from RMB7.8 million to RMB16.1 million as of December 31, 2012, and increased slightly to RMB16.8 million as of December 31, 2013. Such increases were primarily due to an increase in deferred tax assets arising from losses from newly opened outlets as a result of our business expansion.

TRADE AND BILLS PAYABLES

The table below sets forth our trade and bill payables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Trade payables	9,107	18,245	42,409
Bills payable	<u>347,364</u>	<u>546,949</u>	<u>402,383</u>
Trade and bill payables	<u>356,471</u>	<u>565,194</u>	<u>444,792</u>

Trade payables primarily relate to purchases of spare parts and automobile accessories, and are recognized upon receipt of the spare parts and automobile accessories. Our bills payable primarily relate to our use of bank acceptance notes to finance our purchases of new automobiles. These bank acceptance notes are generally secured by bank deposits and inventories. As of December 31, 2013, we had bills payable of RMB402.4 million, pledged bank deposits of RMB292.2 million and pledged inventories of RMB113.0 million. We are required to bear relevant bank charges for the issuance of these bank acceptance notes, which are generally non-interest bearing. Upon the repayment of bank acceptance notes, the pledged deposits are released and can be used to secure new bank acceptance notes. If we are unable to generate sufficient sales from our existing inventory of new automobiles to repay our bank

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acceptance notes within their terms, which are typically two to three months, we may be required to repay the banks from other cash resources. This could adversely affect our working capital and our ability to acquire new inventory. We may incur additional financing costs as a result of the new borrowings. During the Track Record Period, our inventory turnover days were generally shorter than the credit term of our bank acceptance notes and we did not experience any difficulty in repaying our bank acceptance notes with payments from customers for the sales of new automobiles.

Our trade payables were RMB9.1 million, RMB18.2 million and RMB42.4 million as of December 31, 2011, 2012 and 2013, respectively. These increases were primarily due to an increase in amounts due to our suppliers of spare parts and accessories as a result of the expansion of our after-sales service business during the Track Record Period. Our bills payable increased from RMB347.4 million as of December 31, 2011 to RMB546.9 million as of December 31, 2012, primarily due to our increased automobile purchases as a result of our business expansion. Bills payable decreased to RMB402.4 million as of December 31, 2013, primarily because we used more bank loans to replace the bank acceptance notes used to pay for the purchases of new automobiles with a view to reducing our finance costs.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		<i>(RMB'000)</i>	
Within 3 months	355,790	558,349	436,798
3 to 6 months	570	6,140	6,918
6 to 12 months	66	563	856
Over 12 months	45	142	220
Total	356,471	565,194	444,792

The following table sets forth our average trade and bills payables turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average trade and bills payables turnover days ⁽¹⁾	26.6	30.6	23.5

Note:

(1) The average trade and bills payables turnover days for a year is the closing trade and bills payables balance divided by cost of sales and services for that year and multiplied by 360 days.

The increases in our average trade and bills payables turnover days from 2011 to 2012 were primarily due to increases in the balances of both bills payables and trade payables as a result of our business growth and, to a lesser extent, better payment terms for our after-sales business as a result of our increased bargaining power. The decrease for 2013 was primarily due to (i) a decrease in bills payable as a result of our increased use of bank loans to replace the bank acceptance notes used to pay for the purchases of new automobiles with a view to reducing our finance costs, as well as (ii) the use of bank acceptance notes with shorter terms by us to control our finance costs.

FINANCIAL INFORMATION

OTHER PAYABLES AND ACCRUALS

The following table sets forth the major items of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Payables for purchase of property, plant and equipment .	9,895	24,190	24,490
Advances from customers	263,662	148,355	112,259
Staff payroll and welfare payables	23,970	31,251	32,326
Tax payable (other than income tax)	4,465	5,095	5,336

Other payables and accruals decreased from RMB219.9 million as of December 31, 2012 to RMB190.4 million as of December 31, 2013, primarily due to an increase in sales of new automobiles that were in stock, which in turn caused us to charge less advances from our customers. Other payables and accruals decreased from RMB314.3 million for 2011 to RMB219.9 million for 2012, primarily due to the decrease in advances from customers, partially offset by the increase in payables for the purchase of property, plant and equipment, which was primarily due to the internal decoration of our new outlets and purchase of land use rights. The decrease in advances from customers was primarily due to the fact that our customers provided less advance payments as a result of the general economic conditions as well as a decrease in orders for automobiles by our customers.

For 2011, 2012 and 2013, our advances from customers were RMB263.7 million, RMB148.4 million and RMB112.3 million, respectively, accounting for 4.9%, 2.1% and 1.5% of our total revenue, respectively, during the same periods. The decreases in the contribution of advances from customers to our total revenue in 2012 and 2013 were primarily because our automobile supplier increased the supply of certain popular models, in particular those of Porsche and Audi, during these periods, and as a result, we had more popular models in stock. This resulted in an increase in the percentage of our customers who were able to pick up the automobiles directly from our outlets without putting in an order with us and paying advances to us.

RELATED-PARTY TRANSACTIONS

During the Track Record Period, certain of our loans were guaranteed by our Controlling Shareholders. Please see “— Indebtedness”. All of these guarantees will be released prior to the Listing.

In 2011, we capitalized amounts due to the Controlling Shareholders of RMB104.7 million, among which RMB6,000 was recorded as share capital and the remaining RMB104.7 million was recorded as capital reserve. This amount related to the Pre-IPO Investment. Please see “Our History and Reorganization — Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” in this prospectus.

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The following table sets forth our amounts due from related parties as of each date indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Trade related			
Yangzhou Sunfonda	—	—	6,371
	—	—	6,371
	—	—	—

The following table sets forth our amounts due to related parties as of each date indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Non-trade related			
The Controlling Shareholders			
— Mr. Wu and Ms. Chiu	29,381	9,280	7,684
	29,381	9,280	7,684
	—	—	—

The amounts due to Mr. Wu and Ms. Chiu were all non-trade related. We will settle all amounts due from and due to our related parties that are non-trade in nature prior to the Listing.

Our Directors believe that these related-party transactions and amounts due to and due from our related parties did not distort our results of operations during the Track Record Period.

INDEBTEDNESS

Bank Loans and Other Borrowings

Bank loans and other borrowings remained relatively stable at RMB1,508.8 million as of December 31, 2012 and RMB1,668.9 million as of December 31, 2013. Bank loans and other borrowings increased from RMB653.4 million as of December 31, 2011 to RMB1,508.8 million as of December 31, 2012, primarily due to our increased need for working capital as a result of our business growth and dealership network expansion.

The following table sets forth our interest bearing bank loans and other borrowings as of the dates indicated:

	As of December 31,			As at February 28, 2014
	2011	2012	2013	
	(RMB'000)			
Interest bearing bank loans and other borrowings				
— secured	304,589	273,504	734,803	806,457
— guaranteed	148,409	885,312	906,653	1,026,429
— unsecured	200,379	349,936	27,406	—
Total	653,377	1,508,752	1,668,862	1,832,886

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Certain of our bank loans and other borrowings are secured by pledges. Pledged land use rights had an aggregate carrying value of RMB59.0 million, RMB67.4 million and RMB85.3 million as of December 31, 2011, 2012 and 2013, respectively. Pledged buildings had an aggregate carrying value of RMB57.7 million, RMB104.3 million and RMB149.5 million as of December 31, 2011, 2012 and 2013, respectively. Inventories pledged as security for our bank loans and other borrowings had an aggregate carrying value of RMB77.1 million, RMB105.3 million and RMB180.5 million, respectively, as of December 31, 2011, 2012 and 2013. The increases in our inventories pledged as security for our bank loans and other borrowings from December 31, 2011 to December 31, 2013 were primarily due to an increase in secured borrowings due to our increased need for working capital as a result of our business expansion. The increases in our pledged land use rights and pledged inventories from December 31, 2011 to December 31, 2013 were primarily due to an increase in the outstanding balances of our bank loans, which was primarily attributable to our increased need for funding as a result of our business growth. The significant increase in our pledged buildings as of December 31, 2012 was primarily due to an increase in secured borrowings due to our increased need for working capital as a result of our business expansion.

As of December 31, 2011, 2012 and 2013, RMB148.4 million, RMB885.3 million and RMB906.7 million, respectively, of our bank loans and other borrowings were guaranteed by the Controlling Shareholders. All of the guarantees provided by the Controlling Shareholders will be released prior to the Listing Date.

As of February 28, 2014, which is the latest practicable date for our indebtedness statement, we had total bank credit facilities of RMB3.4 billion, of which RMB1.2 billion was unutilized and unrestricted.

Our Directors have confirmed that our Group has not had any material default with regard to our trade or other payables or any bank borrowings, and has not breached any financial covenants in our bank borrowings during the Track Record Period. We do not have any financial covenants in our outstanding bank borrowings. Our Directors have confirmed that we do not have any plan to raise material external debt financing as of the date of this prospectus.

Statement of Indebtedness

As of February 28, 2014, being the latest practicable date for the purpose of this indebtedness statement, and save as disclosed in the sub-section entitled “— Bank Loans and Other Borrowings” in this section, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities or guarantees. Since March 1, 2014, there has been no material adverse change in our indebtedness.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Off-Balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods and as of the dates indicated:

	Year ended and as of December 31,		
	2011	2012	2013
Profitability			
Return on equity ⁽¹⁾	28.4%	16.6%	17.9%
Return on total assets ⁽²⁾	9.2%	4.4%	5.5%
Liquidity			
Current ratio ⁽³⁾	1.1	1.0	1.0
Capital Adequacy			
Debt to equity ratio ⁽⁴⁾	57.6%	138.6%	115.0%
Interest coverage ⁽⁵⁾	7.4	2.6	3.0

Notes:

- (1) Return on equity is calculated by dividing profit attributable to equity holders of our Company by total equity and multiplying the resulting value by 100%.
- (2) Return on total assets is calculated by dividing profit attributable to equity holders of our Company by total assets and multiplying the resulting value by 100%.
- (3) Current ratio is calculated by dividing total current assets by total current liabilities.
- (4) Debt to equity ratio is calculated by dividing net debt by total equity.
- (5) Interest coverage is calculated by dividing profit before interest and tax by interest.

Profitability

Our return on equity decreased from 28.4% for 2011 to 16.6% for 2012, primarily due to a significant increase in total equity as of December 31, 2012 as a result of an increase in retained profit compared with a decrease in profit attributable to equity holders of the Company.

Our return on total assets decreased from 9.2% for 2011 to 4.4% for 2012, primarily due to a significant increase in our total assets as of December 31, 2012 compared with a decrease in our profit for 2012.

Liquidity

Our current ratio remained relatively stable at 1.1, 1.0 and 1.0 as of December 31, 2011, 2012 and 2013, respectively.

Capital Adequacy

Our debt to equity ratio increased significantly from 57.6% as of December 31, 2011 to 138.6% as of December 31, 2012, primarily due to the increase in net debt as compared with the increase in total equity. Our debt to equity ratio decreased from 138.6% as of December 31, 2012 to 115.0% as of December 31, 2013, primarily due to a decrease in our net debt as a result of our improved liquidity and an increase in our total equity as a result of an increase in our profit for 2013.

Our interest coverage decreased from 7.4 for 2011 to 2.6 for 2012, primarily due to the increase in interest costs as compared with the increase in operating profit. Our interest coverage remained relatively stable at 2.6 and 3.0 for 2012 and 2013.

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MARKET RISK DISCLOSURE

Interest rate risk

We do not have significant interest-bearing assets other than pledged bank deposits and cash and cash equivalents. Our interest rate risk arises from our borrowings. Borrowings at variable rates expose us to the risk of changes in market interest rates. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

Had interest rates been 50 basis points higher or lower with all other variables being held constant, our finance costs for 2011, 2012 and 2013 would change by RMB2.4 million, RMB8.0 million and RMB8.2 million, respectively. Please see “Risk Factors — Risks Relating to Our Business — We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis or at all, and any debt financing may contain covenants that restrict our business or operations” in this prospectus.

Credit risk

We do not have significant concentrations of credit risk. The carrying amounts of bank deposits, cash and cash equivalents, trade and other receivables included in our consolidated financial statements represent our maximum exposure to credit risk in relation to our financial assets.

As of December 31, 2011, 2012 and 2013, all of our pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

We monitor our liquidity risk using a recurring liquidity planning tool. This tool considers the maturity of both financial instruments and financial assets, such as trade receivables, and projected cash flows from operations. The following table sets forth the maturity profile of our financial liabilities as at the end of the reporting period based on the contractual undiscounted payments:

	As of December 31, 2013					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(RMB'000)					
Interest bearing bank loans and other borrowings	—	441,346	1,145,587	154,871	—	1,741,804
Trade and bills payables	42,409	402,383	—	—	—	444,792
Other payables	14,612	6,456	19,366	—	—	40,434
Amounts due to related parties . .	7,684	—	—	—	—	7,684
	64,705	850,185	1,164,953	154,871	—	2,234,714

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As of December 31, 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
(RMB'000)						
Interest bearing bank loans and other borrowings	—	387,978	1,087,973	89,549	—	1,565,500
Trade and bills payables	18,245	546,949	—	—	—	565,194
Other payables	10,364	6,202	18,606	—	—	35,172
Amounts due to related parties . .	9,280	—	—	—	—	9,280
Total financial liabilities	37,889	941,129	1,106,579	89,549	—	2,175,146

As of December 31, 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
(RMB'000)						
Interest bearing bank loans and other borrowings	—	51,217	524,052	120,969	—	696,238
Trade and bills payables	9,107	347,364	—	—	—	356,471
Other payables	11,527	2,678	8,034	—	—	22,239
Amounts due to related parties . .	29,381	—	—	—	—	29,381
Total financial liabilities	50,015	401,259	532,086	120,969	—	1,104,329

DIVIDEND POLICY

We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as our Board may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to them to be justified by our profits. No dividend shall be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for such purpose in accordance with the Cayman Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. All of our subsidiaries in China set aside part of their net profit as statutory reserves in accordance with the requirements of relevant PRC laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future.

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Historically, we have not distributed any dividends to our Shareholders. We currently intend to pay dividends of no more than 30% of our profits available for distribution in each accounting year after the Listing. Our Board has absolute discretion in whether to declare any dividend for any year end, if it decides to declare a dividend, how much dividend to declare. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. The amounts of distribution that we have declared and made in the past should not be taken as indications of the dividends, if any, that we may pay in the future.

We have decided that the distributable earnings of approximately RMB714.2 million as of December 31, 2013 generated by our PRC subsidiaries which recorded distributable profits during the Track Record Period will be used to further expand our operations in China and will not be distributed to members of our Group incorporated outside the PRC in the foreseeable future.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2013 or any future date. They are prepared based on our consolidated net assets as of December 31, 2013 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of December 31, 2013 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB	(HK\$ equivalent)
Based on the Offer Price of HK\$3.61 per Share.	1,026,865	374,328	1,401,193	2.34	2.92

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2013 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of our Company as of December 31, 2013 of RMB1,031.1 million less intangible assets as of December 31, 2013 of RMB4.2 million.
2. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$3.61 per Share after deduction of the underwriting fees and commissions (including the discretionary incentive fee) and other related expenses payable by our Company and 150,000,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

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3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares are in issue assuming that the Global Offering has been completed on December 31, 2013 and the Offer Price of HK\$3.61 per Share, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80269.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2013.

LISTING EXPENSES

The estimated expenses in relation to the Global Offering are approximately RMB60.3 million, of which approximately RMB41.3 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering in the year 2014. The remaining estimated listing expenses of approximately RMB19.0 million, which cannot be so deducted, was or will be charged to profit or loss, of which approximately RMB12.4 million was charged during the Track Record Period, and approximately RMB6.6 million is expected to be incurred before or upon completion of the Global Offering in the year 2014. This calculation is based on the Offer Price of HK\$3.61 per Offer Share and the assumption that 150,000,000 Shares expected to be issued under the Global Offering and 600,000,000 Shares are issued and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since January 1, 2014 and there has been no event since January 1, 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. Our Directors consider that all information necessary for the public to make an informed assessment of the activities and financial position of our Group has been included in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

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

USE OF PROCEEDS

The net proceeds of the Global Offering are expected to be approximately HK\$466.3 million (based on the Offer Price of HK\$3.61 per Share), after deducting the underwriting fees and commissions (including the discretionary incentive fee) and the estimated expenses payable by us in relation to the Global Offering.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 85% of the net proceeds to us (approximately HK\$396.4 million based on the Offer Price of HK\$3.61 per Share) will be used for expanding our outlet network organically and, if suitable opportunities arise, through selective acquisitions. For the proceeds used for organic growth, we expect to use 30% of the capital expenditures for the acquisition of land use rights, 55% for the construction and decoration of our outlets, 10% for equipment and furniture and 5% for the procurement of test drive automobiles. As part of our expansion plan and in order to further strengthen our strong market presence, we plan to open 11 new outlets by the end of 2014, including four outlets for luxury and ultra-luxury brands such as Ferrari/Maserati, Volkswagen Imported, Audi and Hongqi in Northwestern China, one Volkswagen Imported 4S dealership store in Taiyuan in Shanxi Province, one Audi 4S dealership store in Beijing, one Volkswagen Imported 4S dealership store in Wuxi in Jiangsu Province, one Audi 4S dealership store in Yangzhou in Jiangsu Province, one Volkswagen Imported showroom and one Chrysler 4S dealership store in Suzhou in Jiangsu Province. We also plan to open a Shanghai Volkswagen 4S dealership store in Xi'an in Shaanxi Province. We estimate that the capital expenditure for these outlets will range between RMB30 million and RMB80 million per outlet, depending on factors such as location and brands of the outlets. As of December 31, 2013, we expected to incur approximately RMB805.7 million of capital expenditures for our planned outlets, of which approximately RMB365.7 million of capital expenditures have already been incurred. The estimated capital expenditures are in line with the historical capital expenditures we have incurred;
- approximately 5% of the net proceeds to us (approximately HK\$23.3 million based on the Offer Price of HK\$3.61 per Share) will be used for upgrading, maintenance and refurbishment of our existing outlets; and
- approximately 10% of the net proceeds to us (approximately HK\$46.6 million based on the Offer Price of HK\$3.61 per Share) will be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above they will be placed in short term demand deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

J.P. Morgan Securities (Asia Pacific) Limited
Guotai Junan Securities (Hong Kong) Limited

Co-Manager

RHB OSK Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 15,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or any change or development involving a prospective change in any existing law or any change in the interpretation or application thereof by any court or other competent authority of Cayman Islands, British Virgin Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (as a whole), Japan, Singapore or any other jurisdiction relevant to any member of the Group (collectively, the “Relevant Jurisdictions”); or

UNDERWRITING

- (ii) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development in local, national or international financial, political, military, industrial, legal, fiscal, economic, regulatory, market or currency matters or conditions (including but not limited to a change in the system under which the value of the HK\$ is linked to the US\$ or revaluation of Renminbi against any foreign currencies or a change in any other currency exchange rates) in any of the Relevant Jurisdictions; or
- (iii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions, or any new law or regulation or any change or development involving a change in the interpretation of laws or regulations that materially and adversely affects or is likely to materially and adversely affect the existing operation of the dealership or the dealership licenses of any member of the Group; or
- (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or in the NASDAQ System or any disruption in commercial banking activities or securities settlement, payment or clearance services or procedures in any of the Relevant Jurisdictions; or
- (v) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vi) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (vii) the outbreak or escalation of hostilities involving any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or
- (viii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, H5N1, H1N1 or such related/mutated forms), terrorism, strike or lock-out; or
- (ix) any change or development or event involving a prospective change in the Company's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects including any litigation or claim of material importance of any third party being threatened or instigated against the Company or any of its subsidiaries; or
- (x) there has been or shall be any change or prospective change in, or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" of this prospectus; or

UNDERWRITING

- (xi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, materially adverse to the marketing for or implementation of the Global Offering; or
- (xii) an order or a petition is presented for the winding up or provisional winding up or liquidation of the Company or any of its subsidiaries or the Company or any of its subsidiaries make any composition or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or of any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or
- (xiii) a valid demand by any creditor for repayment or payment of any of the Company's indebtednesses or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiv) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (xv) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries or the Controlling Shareholders,

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for each of themselves and on behalf of the other Hong Kong Underwriters),

- (A) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial position or prospects of the Company or its subsidiaries as a whole; or
- (B) has or will have or is likely to have a material adverse change or otherwise have an adverse effect on the success or marketability of the Hong Kong Public Offering or the International Offering; or
- (C) makes or may make or will or is likely to make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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- (D) would have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with the its terms or which prevents the processing of applications and/or payments pursuant to the terms contained in the Hong Kong Underwriting Agreement, the receiving banks Agreement and/or the Hong Kong Share Registrar agreement; or
- (b) there has come to the notice of the Joint Global Coordinators after the date of the Hong Kong Underwriting Agreement:
 - (i) that any statement including but not limited to any forecasts, expressions of opinion, intention or expectation contained in this prospectus or the Application Forms becomes or is discovered to be untrue, inaccurate or incomplete in any material respect or misleading or in the case of forecasts, expressions of opinion, intention or expectation, are not fair and honest in any material respect based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) any matter or event arising or has been discovered rendering or there coming to the notice of any of the Joint Global Coordinators or the Underwriters any matter or event showing any of the representation and warranties given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement to be untrue, inaccurate or misleading or having been breached; or
 - (iii) there shall have occurred any matter or event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders pursuant to the indemnities given by the Company, the Controlling Shareholders or any of them under the Hong Kong Underwriting Agreement; or
 - (iv) any breach on the part of the Company and/or the Controlling Shareholders of any provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respect; or
 - (v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (vi) the Company has withdrawn this prospectus and the Application Forms on the Global Offering; or
 - (vii) any member of the Group has contravened the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any applicable laws; or
 - (viii) a prohibition has been imposed or will likely be imposed on the Company for whatever reason from allotting or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

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- (ix) any of the experts has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (x) any of the Cornerstone Investors has failed to perform its obligations (including but not limited to closing and settlement obligations) under its Cornerstone Investor Agreement,

then the Joint Global Coordinators may, in their sole discretion and upon giving notice in writing to the Company and the Hong Kong Underwriters, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option and any lending of any Shares pursuant to the Stock Borrowing Agreement), it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in the prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Hong Kong Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- (2) in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a Controlling Shareholder of our Company for the purposes of the Listing Rules.

UNDERWRITING

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in the prospectus and ending on the date which is 12 months from the date on which dealings in the securities of our Company commence on the Hong Kong Stock Exchange, it will:

- (1) when it pledges or charges any securities of our Company or interests therein beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters that, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date falling six months after the Listing Date (the “First Six-Month Period”), our Company will not, without the Joint Global Coordinators’ prior written consent and unless in compliance with the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or any securities of our Company or any interest in any of the foregoing (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, any such share capital or securities or interest in our Company) (the “Held Interests”); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

UNDERWRITING

- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) and our Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein during the six-month period immediately following the First Six-Month Period (the “Second Six-Month Period”), we shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of our Company.

Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that without the prior written consent of the Joint Global Coordinators and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period, it will not:
- i. offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its Held Interests held as at the Listing Date (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such Held Interests therein); or
 - ii. enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or
 - iii. enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
 - iv. agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the Second Six-Month Period, it will not enter into any of the foregoing transactions in paragraphs (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company;

UNDERWRITING

- (c) until the expiry of the Second Six Month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time during the period of 12 months after the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, (i) if it pledges or charges any Shares or other securities of our Company in respect of which it is the beneficial owner, it will immediately inform our Company, the Sole Sponsor and the Hong Kong Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii), if it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, it will immediately inform our Company, the Sole Sponsor and the Hong Kong Stock Exchange of any such indication.

Undertakings by Standard Chartered Private Equity

Standard Chartered Private Equity has undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that it will not, and will procure that the relevant registered holder of the Shares assigned by it (if applicable) will not, without the prior written consent of the Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time during the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Hong Kong Stock Exchange:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, offer to sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its Held Interests;
- (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

UNDERWRITING

Undertakings by Westernrobust

Westernrobust has undertaken to each of our Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that it will not, and will procure that the relevant registered holder of the Shares awarded by it pursuant to the Pre-IPO Share Award Scheme (if applicable) will not, without the prior written consent of the Company, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time during the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Hong Kong Stock Exchange:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, offer to sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its Held Interests;
- (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b), (c) and (d) above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce intention to do so.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Joint Global Coordinators. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, on or before June 6, 2014, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 22,500,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

UNDERWRITING

Underwriting Commission and Expenses

The Joint Global Coordinators will receive a gross commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, of which they may pay any underwriting commissions to the Co-Manager. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company with respect to the new Offer Shares to be issued by the Company.

Our Company may also in its sole and absolute discretion pay the Joint Global Coordinators of Hong Kong Public Offering or International Offering an additional incentive fee of up to 1% in the aggregate of the sale proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. J.P. Morgan Securities (Asia Pacific) Limited and Guotai Junan Securities (Hong Kong) Limited are the Joint Global Coordinators; J.P. Morgan Securities (Asia Pacific) Limited (in respect of the Hong Kong Public Offering), J.P. Morgan Securities plc (in respect of the International Offering) and Guotai Junan Securities (Hong Kong) Limited are the Joint Bookrunners.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 15,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in “The Hong Kong Public Offering” below; and
- (ii) the International Offering of 135,000,000 Shares (subject to adjustment as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” below.

OFFER PRICE AND ALLOCATION

The Offer Price is HK\$3.61 per Offer Share, unless otherwise announced, as further explained below not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$3.61 for each Hong Kong Offer Share together with brokerage fee of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%.

STRUCTURE OF THE GLOBAL OFFERING

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of May 7, 2014, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at www.hkexnews.hk, and on the Company's website at www.sunfonda.com.cn notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the Offer Price is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on May 14, 2014 through a variety of channels as described in “How to Apply for Hong Kong Offer Shares — Publication of Results”.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) (subject only to allotment and despatch of the share certificates in respect thereof and such other normal conditions acceptable to the Company and the Joint Global Coordinators, on behalf of the Underwriters) not later than May 14, 2014 (or such later date as the Company and the Joint Global Coordinators on behalf of the Underwriters may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- the execution and delivery of the International Underwriting Agreement on or around May 7, 2014; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares”. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on May 14, 2014 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on May 15, 2014, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 15,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 150,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Offer Price

The Offer Price is HK\$3.61 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$3.61 per Share plus brokerage of 1% SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

For allocation purposes only, the 15,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 7,500,000 Hong Kong Offer Shares and Pool B comprising 7,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the 15,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 7,500,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated Offer Shares under the International Offering.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000, 60,000,000 and 75,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such

STRUCTURE OF THE GLOBAL OFFERING

cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will consist of an initial offering of 135,000,000 Offer Shares representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the US Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the sub-section headed “The Hong Kong Public Offering — Reallocation and Clawback”, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to

STRUCTURE OF THE GLOBAL OFFERING

require our Company to issue up to an aggregate of 22,500,000 Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. The Joint Global Coordinators may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may choose to borrow Shares from Top Wheel, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 22,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- (iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- (iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on June 6, 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 22,500,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may borrow up to 22,500,000 Shares from Top Wheel, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on May 15, 2014, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on May 15, 2014.

The Shares will be traded in board lots of 1,000 Shares each.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company will, on or about May 7, 2014, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on April 30, 2014 till 12:00 noon on May 7, 2014 from:

- (i) any of the following offices of the Hong Kong Underwriters:

J.P. Morgan Securities (Asia Pacific) Limited

28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

RHB OSK Securities Hong Kong Limited

12/F World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
New Territories ...	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

Standard Chartered Bank (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Hennessy Road Branch	399 Hennessy Road, Wan Chai
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories ...	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on April 30, 2014 till 12:00 noon on May 7, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited — Sunfonda Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, April 30, 2014 — 9:00 a.m. to 5:00 p.m.
Friday, May 2, 2014 — 9:00 a.m. to 5:00 p.m.
Saturday, May 3, 2014 — 9:00 a.m. to 1:00 p.m.
Monday, May 5, 2014 — 9:00 a.m. to 5:00 p.m.
Wednesday, May 7, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on May 7, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at www.eipo.com.hk, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on April 30, 2014 until 11:30 a.m. on May 7, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon May 7, 2014 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through Services the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the White Form eIPO Service Provider, will contribute HK\$2.00 for each “Sunfonda Group Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Wednesday, April 30, 2014	— 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, May 2, 2014	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, May 3, 2014	— 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, May 5, 2014	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, May 7, 2014	— 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on April 30, 2014 until 12:00 noon on May 7, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on May 7, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on May 7, 2014 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Offer Price and Allocation”.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on May 7, 2014. Instead they will open between 11:45 a.m. to 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. to 12:00 noon.

If the application lists do not open and close on May 7, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on May 14, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.sunfonda.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.sunfonda.com.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on May 14, 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on May 14, 2014 to 12:00 midnight May 20, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from May 14, 2014 to May 17, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from May 14, 2014 to May 16, 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, regulations or rules; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on May 14, 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around May 14, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on May 15, 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on May 14, 2014 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on May 14, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on May 14, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on May 14, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on May 14, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on May 14, 2014, or such other date as

HOW TO APPLY FOR HONG KONG OFFER SHARES

notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on May 14, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on May 14, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on May 14, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. May 14, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on May 14, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on May 14, 2014. No interest will be paid thereon.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is a text of a report, prepared for the purpose of incorporation in the prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

April 30, 2014

The Directors
Sunfonda Group Holdings Limited
J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We set out below our report on the financial information of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2011, 2012 and 2013 and the statements of financial position of the Company as at December 31, 2011, 2012 and 2013, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in Note 2.1 of Section II below, for inclusion in the prospectus of the Company dated April 30, 2014 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 13, 2011. Pursuant to a group reorganisation (the "Reorganisation") as set out in Note 2.1 of Section II below, which was completed on March 17, 2011, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganisation described above.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 39 of Section II below. All companies now comprising the Group have adopted December 31 as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 39 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended December 31, 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at December 31, 2011, 2012 and 2013, and the Group as at December 31, 2011, 2012 and 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in Note 2.1 of Section II:

1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended December 31,		
		2011 RMB'000	2012 RMB'000	2013 RMB'000
REVENUE	5(a)	5,348,404	7,205,232	7,432,699
Cost of sales and services	6(b)	(4,832,500)	(6,642,745)	(6,808,773)
Gross profit		515,904	562,487	623,926
Other income and gains, net ..	5(b)	35,570	64,119	93,901
Selling and distribution expenses		(139,648)	(176,047)	(192,391)
Administrative expenses		(110,025)	(145,559)	(152,270)
Profit from operations		301,801	305,000	373,166
Finance costs	7	(40,994)	(116,695)	(124,584)
Profit before tax	6	260,807	188,305	248,582
Income tax	10	(66,809)	(48,091)	(62,969)
Profit for the year		193,998	140,214	185,613
Attributable to:				
Owners of the parent.		193,998	140,214	185,636
Non-controlling interests		—	—	(23)
		193,998	140,214	185,613
Earnings per share attributable to equity holders of the parent	12	N/A	N/A	N/A

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>193,998</u>	<u>140,214</u>	<u>185,613</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>6,213</u>	<u>(912)</u>	<u>1,441</u>
Other comprehensive income for the year, net of tax	<u>6,213</u>	<u>(912)</u>	<u>1,441</u>
Total comprehensive income for the year, net of tax	<u>200,211</u>	<u>139,302</u>	<u>187,054</u>
Attributable to:			
Owners of the parent	200,211	139,302	187,077
Non-controlling interests	<u>—</u>	<u>—</u>	<u>(23)</u>
	<u>200,211</u>	<u>139,302</u>	<u>187,054</u>

3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,		
	Section II	2011	2012	2013
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment .	13	405,168	570,634	694,976
Land use rights	14	123,456	154,478	407,814
Intangible assets	15	1,495	4,488	4,239
Prepayments	16	118,011	257,948	132,841
Deferred tax assets	27	7,767	16,074	16,816
Total non-current assets		655,897	1,003,622	1,256,686
CURRENT ASSETS				
Inventories	17	449,505	753,021	730,594
Trade receivables	18	16,223	47,481	50,841
Prepayments, deposits and other receivables	19	490,150	628,501	565,303
Amounts due from related parties	37(b)(i)	—	—	6,371
Pledged bank deposits	20	208,381	400,994	292,209
Cash in transit	21	17,397	19,610	33,240
Cash and cash equivalents	22	271,442	328,741	451,930
Total current assets		1,453,098	2,178,348	2,130,488
CURRENT LIABILITIES				
Interest bearing bank loans and other borrowings	23	534,684	1,425,582	1,523,674
Trade and bills payables	24	356,471	565,194	444,792
Other payables and accruals . .	25	314,336	219,873	190,355
Amounts due to related parties	37(b)(ii)	29,381	9,280	7,684
Income tax payable		71,689	34,844	39,400
Total current liabilities		1,306,561	2,254,773	2,205,905
NET CURRENT ASSETS/(LIABILITIES)				
		146,537	(76,425)	(75,417)
TOTAL ASSETS LESS CURRENT LIABILITIES				
		802,434	927,197	1,181,269
NON-CURRENT LIABILITIES				
Interest bearing bank loans . . .	23	118,693	83,170	145,188
NET ASSETS				
		683,741	844,027	1,036,081
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	7	285	285
Reserves	29	683,734	843,742	1,030,819
		683,741	844,027	1,031,104
Non-controlling interests				
		—	—	4,977
Total equity				
		683,741	844,027	1,036,081

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section II	Attributable to owners of the parent							Non-controlling interests	Total equity
		Share capital	Capital reserve	Statutory reserve	Merger reserve	Exchange fluctuation reserve	Retained profits	Total		
		RMB'000 Note 28	RMB'000*	RMB'000* Note 29	RMB'000* Note 29	RMB'000* Note 29	RMB'000*	RMB'000		
Notes										
At January 1, 2011		—	—	21,614	69,554	3,049	196,199	290,416	—	290,416
Contribution by the then equity holders		1	—	—	194,824	—	—	194,825	—	194,825
Capitalisation of amounts due to the Controlling Shareholders	32	6	104,714	—	—	—	—	104,720	—	104,720
Acquisition of equity interests by the Group from the then equity holders		—	—	—	(106,431)	—	—	(106,431)	—	(106,431)
Total comprehensive income for the year		—	—	—	—	6,213	193,998	200,211	—	200,211
Transfer from retained profits		—	—	14,239	—	—	(14,239)	—	—	—
At December 31, 2011 . . .		<u>7</u>	<u>104,714</u>	<u>35,853</u>	<u>157,947</u>	<u>9,262</u>	<u>375,958</u>	<u>683,741</u>	<u>—</u>	<u>683,741</u>
Contribution by the then equity holders		278	20,706	—	—	—	—	20,984	—	20,984
Total comprehensive income for the year		—	—	—	—	(912)	140,214	139,302	—	139,302
Transfer from retained profits		—	—	5,180	—	—	(5,180)	—	—	—
At December 31, 2012 . . .		<u>285</u>	<u>125,420</u>	<u>41,033</u>	<u>157,947</u>	<u>8,350</u>	<u>510,992</u>	<u>844,027</u>	<u>—</u>	<u>844,027</u>
Total comprehensive income for the year		—	—	—	—	1,441	185,636	187,077	(23)	187,054
Disposal of interests in a subsidiary		—	—	—	—	—	—	—	3,000	3,000
Non-controlling interests arising from establishing a new subsidiary		—	—	—	—	—	—	—	2,000	2,000
Transfer from retained profits		—	—	10,631	—	—	(10,631)	—	—	—
At December 31, 2013 . . .		<u>285</u>	<u>125,420</u>	<u>51,664</u>	<u>157,947</u>	<u>9,791</u>	<u>685,997</u>	<u>1,031,104</u>	<u>4,977</u>	<u>1,036,081</u>

* These reserve accounts comprise the consolidated reserves of RMB683,734,000, RMB843,742,000 and RMB1,030,819,000 in the consolidated statements of financial position as at December 31, 2011, 2012 and 2013, respectively.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before tax		260,807	188,305	248,582
Adjustments for:				
Depreciation and impairment of property, plant and equipment		35,583	56,927	72,989
Amortisation of land use rights		2,222	5,218	9,168
Amortisation of intangible assets		79	408	577
Interest income	5(b)	(2,913)	(2,333)	(3,260)
Net (gain)/loss on disposal of property, plant and equipment	5(b)	(5,329)	1,526	2,040
Finance costs	7	40,994	116,695	124,584
Gain on disposal of a subsidiary	30	—	—	(4,704)
		331,443	366,746	449,976
(Increase)/decrease in pledged bank deposits		(184,632)	(192,613)	108,785
Increase in cash in transit		(13,010)	(2,213)	(14,696)
Increase in trade receivables ..		(8,227)	(31,258)	(4,500)
(Increase)/decrease in prepayments, deposits and other receivables		(248,284)	(138,351)	54,929
(Increase)/decrease in inventories		(251,436)	(303,516)	5,191
Increase/(decrease) in trade and bills payables		288,634	208,723	(117,418)
Increase/(decrease) in other payables and accruals		109,693	(108,758)	(20,243)
Decrease in amounts due from related parties		—	—	2,129
Cash generated from/(used in) operations		24,181	(201,240)	464,153
Tax paid		(37,032)	(93,244)	(60,998)
Net cash (used in)/generated from operating activities...		(12,851)	(294,484)	403,155

APPENDIX I

ACCOUNTANTS' REPORT

	Section II Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Investing activities				
Purchase of property, plant and equipment.....		(266,970)	(276,073)	(353,560)
Proceeds from disposal of property, plant and equipment.....		30,933	54,403	118,348
Purchase of land use rights ...		(141,148)	(160,300)	(148,278)
Purchase of intangible assets .		(1,518)	(3,401)	(328)
Interest received.....		2,913	2,333	3,260
Disposal of a subsidiary.....	30	—	—	22,834
Net cash used in investing activities		(375,790)	(383,038)	(357,724)
Financing activities				
Proceeds from bank loans and other borrowings.....		2,552,971	3,824,918	4,113,195
Repayment of bank loans and other borrowings.....		(2,251,878)	(2,969,543)	(3,912,959)
Contributions by the then equity holders of the subsidiaries		194,825	20,984	—
Contributions from a non-controlling shareholder .		—	—	2,000
Acquisition of equity interests by the Group from the then equity holders		(106,431)	—	—
Advances from the Controlling Shareholders		81,674	—	945
Repayment of amounts due to the Controlling Shareholders		—	(20,995)	—
Advances from a related party .		—	—	3,800
Interest paid.....		(40,994)	(120,526)	(128,123)
Net cash generated from financing activities ...		430,167	734,838	78,858
Net increase in cash and cash equivalents		41,526	57,316	124,289
Cash and cash equivalents at the beginning of year		232,730	271,442	328,741
Effect of foreign exchange rate changes, net		(2,814)	(17)	(1,100)
Cash and cash equivalents at the end of year		271,442	328,741	451,930

6. COMPANY STATEMENTS OF FINANCIAL POSITION

		December 31, 2011	December 31, 2012	December 31, 2013
	Section II Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Interests in subsidiaries	39	299,418	320,402	312,040
Total non-current assets		299,418	320,402	312,040
CURRENT ASSETS				
Cash and cash equivalents		71	248	175
Prepayments, deposits and other receivables		63	—	—
Total current assets		134	248	175
CURRENT LIABILITIES				
Other payables and accruals ..		7	1	—
Total current liabilities		7	1	—
NET CURRENT ASSETS		127	247	175
TOTAL ASSETS LESS CURRENT LIABILITIES				
NET ASSETS		299,545	320,649	312,215
EQUITY				
Share capital	28	7	285	285
Reserves		299,538	320,364	311,930
Total equity		299,545	320,649	312,215

II. NOTES TO THE FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

Sunfonda Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on January 13, 2011 as an exempted Company with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”). The registered office address of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were principally engaged in the sale and service of motor vehicles (the “Listing Business”).

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which is incorporated in the British Virgin Islands (“BVI”).

Before the formation of the Group, the Listing Business were carried out by the subsidiaries now comprising the Group as set out in Note 39 of Section II below, all of which were collectively controlled by Mr. Wu Tak Lam and Ms. Chiu Man (hereinafter collectively referred to as the “Controlling Shareholders”).

The Company and its subsidiaries now comprising the Group underwent the reorganisation as described in the section headed “Our History and Reorganization” in the Prospectus and in Appendix V “Statutory and General Information” to the Prospectus.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in the section headed “Our History and Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 17, 2011. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

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

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2013, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Adoption of new and revised HKFRSs

For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods.

3.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits — Defined Benefit Plans Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²

1 Effective for annual periods beginning on or after January 1, 2014

2 Effective for annual periods beginning on or after July 1, 2014

3 Effective for annual periods beginning on or after January 1, 2016

4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 Summary of significant accounting policies

Basis of consolidation

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods.

As explained in Note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting principles. The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. The merger method of accounting involves incorporating the financial statement items of the consolidating entities in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statements of profit or loss include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All significant intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The purchase method of accounting involves allocating the cost of a business combination to the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the companies now comprising the Group. Any excess of the Group's interest in the book value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of non-controlling interests (previously referred to as negative goodwill), after reassessment, is recognised immediately in the statements of profit or loss.

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Plant and machinery	5–10 years	5%
Furniture and fixtures	3–5 years	5%
Motor vehicles	4–5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5 years
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Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease

payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Land use rights

All land in Mainland China is state-owned and no individual land ownership rights exist. The Group acquires the right to use certain land and the consideration paid for such a right is recorded as land use rights, which are amortised over the lease terms of 40 to 70 years using the straight-line method.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets mainly include cash and cash equivalents, cash in transit, pledged bank deposits, amounts due from related parties and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the

statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and bills payables, other payables, amounts due to related parties and interest bearing bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated on specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the costs which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the services are fully rendered and accepted by customers;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.6% has been applied to the expenditure on the individual assets during the year ended December 31, 2013 (December 31, 2012: 7.0%; December 31, 2011: nil).

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3.4 Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets were RMB7,767,000, RMB16,074,000 and RMB16,816,000 as at December 31, 2011, 2012 and 2013, respectively (Note 27).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets other than indefinite life and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are

undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

4. SEGMENT INFORMATION

The Group is engaged in the principal business of sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products and services, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical areas

Since all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each of the Relevant Periods, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue			
Revenue from the sale of motor vehicles	4,967,484	6,619,269	6,739,365
Others	380,920	585,963	693,334
	<u>5,348,404</u>	<u>7,205,232</u>	<u>7,432,699</u>

(b) Other income and gains, net

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Other income and gains, net			
Commission income	8,759	42,820	62,922
Service income	13,625	16,482	20,937
Interest income	2,913	2,333	3,260
Advertisement support received from motor vehicle manufacturers	4,345	3,396	—
Net gain/(loss) on disposal of property, plant and equipment	5,329	(1,526)	(2,040)
Gain on disposal of a subsidiary	—	—	4,704
Others	599	614	4,118
	<u>35,570</u>	<u>64,119</u>	<u>93,901</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

(a) Employee benefit expense (including directors' remuneration (Note 8))

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages and salaries	48,039	65,323	70,074
Other welfare	12,448	14,777	19,472
	<u>60,487</u>	<u>80,100</u>	<u>89,546</u>

(b) Cost of sales and services

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales of motor vehicles	4,594,332	6,300,739	6,402,142
Others	238,168	342,006	406,631
	<u>4,832,500</u>	<u>6,642,745</u>	<u>6,808,773</u>

(c) Other items

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Depreciation of items of property, plant and equipment	35,583	56,927	72,989
Amortisation of land use rights	2,222	5,218	9,168
Amortisation of intangible assets	79	408	577
Auditors' remuneration	996	2,470	2,370
Advertising and business promotion expenses	52,815	46,102	46,258
Lease expense	5,973	21,797	16,726
Bank charges	3,393	5,327	5,790
Office expenses	10,129	28,583	23,480
Logistics expenses	2,849	8,553	6,205
Net (gain)/loss on disposal of property, plant and equipment	(5,329)	1,526	2,040
Gain on disposal of a subsidiary	—	—	(4,704)

7. FINANCE COSTS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within five years.....	30,901	88,333	102,592
Interest expense on other borrowings	10,093	32,193	25,531
Less: interest capitalised	—	(3,831)	(3,539)
	<u>40,994</u>	<u>116,695</u>	<u>124,584</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the remuneration of the directors of the Company during the Relevant Periods disclosed pursuant to the disclosure requirements of the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended December 31, 2011					
	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	199	—	—	10	209
— Ms. Chiu Man	—	199	—	—	10	209
— Ms. You Jia	—	396	—	—	21	417
— Mr. Jia Ruobing	—	133	—	—	3	136
	—	<u>927</u>	—	—	<u>44</u>	<u>971</u>
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
	—	<u>927</u>	—	—	<u>44</u>	<u>971</u>

Year ended December 31, 2012

	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity- settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	194	—	—	10	204
— Ms. Chiu Man	—	194	—	—	10	204
— Ms. You Jia	—	450	—	—	21	471
— Mr. Jia Ruobing	—	823	—	—	34	857
	—	<u>1,661</u>	—	—	<u>75</u>	<u>1,736</u>
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
Independent non-executive directors:						
— Mr. Liu Jie	—	—	—	—	—	—
— Mr. Yu Yuanbo	—	—	—	—	—	—
	—	<u>1,661</u>	—	—	<u>75</u>	<u>1,736</u>

Year ended December 31, 2013

	Fees	Salaries, allowances and other benefits	Performance related bonuses	Equity- settled share option expense	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
— Mr. Wu Tak Lam	—	194	—	—	10	204
— Ms. Chiu Man	—	194	—	—	10	204
— Ms. You Jia	—	502	—	—	23	525
— Mr. Jia Ruobing	—	813	—	—	34	847
	—	<u>1,703</u>	—	—	<u>77</u>	<u>1,780</u>
Non-executive director:						
— Mr. Zhu Wei	—	—	—	—	—	—
Independent non-executive directors:						
— Mr. Liu Jie	—	—	—	—	—	—
— Mr. Yu Yuanbo	—	—	—	—	—	—
	—	<u>1,703</u>	—	—	<u>77</u>	<u>1,780</u>

The Group and the Company's chief executive is Ms. Chiu Man, who is also an executive director of the Group and the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Mr. Zhu Wei was appointed as non-executive director on April 21, 2011. Mr. Liu Jie and Mr. Yu Yuanbo were appointed as independent non-executive director on June 19, 2012. No emoluments were paid to the non-executive directors and independent non-executive directors of the Company during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included two directors for the year ended December 31, 2013 (2011: one; 2012: two) details of whose remuneration are detailed in Note 8 above. Details of the remuneration of the remaining non-director, highest paid employees for each of the Relevant Periods are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,238	1,316	1,855
Pension scheme contributions	82	66	71
	<u>1,320</u>	<u>1,382</u>	<u>1,926</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended December 31,		
	2011	2012	2013
Nil to HK\$1,000,000	4	3	3
HK\$1,000,001 to HK\$1,500,000	—	—	—
HK\$1,500,001 to HK\$2,000,000	—	—	—
	<u>4</u>	<u>3</u>	<u>3</u>

10. INCOME TAX

(a) Tax in the consolidated statements of profit or loss represents:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current Mainland China corporate income tax	71,759	56,398	65,554
Deferred tax (Note 27)	(4,950)	(8,307)	(2,585)
	<u>66,809</u>	<u>48,091</u>	<u>62,969</u>

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate of the Mainland China subsidiaries is 25%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before tax.....	260,807	188,305	248,582
Tax at applicable tax rate (25%)	65,202	47,076	62,146
Different tax rate for a subsidiary in Hong Kong	121	45	37
Tax effect of non-deductible expenses	1,280	889	1,889
Income not subject to tax.....	—	—	(1,176)
Tax losses not recognised	206	81	73
Tax charge	66,809	48,091	62,969

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended December 31, 2011, 2012 and 2013 were all generated by the subsidiaries now comprising the Group (Note 2.1).

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At January 1, 2011	126,913	1,568	33,138	22,866	68,348	43,645	296,478
Exchange realignment.	(72)	—	—	(4)	—	—	(76)
Additions.	1,029	2,767	14,736	10,985	79,906	137,224	246,647
Transfer	121,151	—	1,650	1,814	—	(124,615)	—
Disposals	—	—	(17)	—	(47,218)	—	(47,235)
At December 31, 2011.	249,021	4,335	49,507	35,661	101,036	56,254	495,814
Accumulated depreciation:							
At January 1, 2011	19,468	550	18,165	13,739	24,796	—	76,718
Exchange realignment.	(20)	—	—	(4)	—	—	(24)
Depreciation provided during the year.	8,721	350	3,271	4,184	19,057	—	35,583
Disposals	—	—	(2)	—	(21,629)	—	(21,631)
At December 31, 2011.	28,169	900	21,434	17,919	22,224	—	90,646
Net book value:							
At December 31, 2011.	220,852	3,435	28,073	17,742	78,812	56,254	405,168
Cost:							
At January 1, 2012	249,021	4,335	49,507	35,661	101,036	56,254	495,814
Additions.	13,483	7,802	16,336	9,052	156,013	75,636	278,322
Transfer	102,684	—	—	—	—	(102,684)	—
Disposals	—	—	—	—	(76,221)	—	(76,221)
At December 31, 2012	365,188	12,137	65,843	44,713	180,828	29,206	697,915
Accumulated depreciation:							
At January 1, 2012	28,169	900	21,434	17,919	22,224	—	90,646
Depreciation provided during the year.	12,836	743	5,120	6,012	32,216	—	56,927
Disposals	—	—	—	—	(20,292)	—	(20,292)
At December 31, 2012	41,005	1,643	26,554	23,931	34,148	—	127,281
Net book value:							
At December 31, 2012	324,183	10,494	39,289	20,782	146,680	29,206	570,634
Cost:							
At January 1, 2013	365,188	12,137	65,843	44,713	180,828	29,206	697,915
Additions.	33,541	33,499	5,345	18,530	154,995	104,743	350,653
Transfer	64,030	—	—	—	—	(64,030)	—
Disposals	—	—	—	(2,422)	(158,570)	—	(160,992)
Disposal of a subsidiary (Note 30)	(15,500)	(6,032)	(4,125)	(1,080)	(9,835)	—	(36,572)
At December 31, 2013	447,259	39,604	67,063	59,741	167,418	69,919	851,004

	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
At January 1, 2013	41,005	1,643	26,554	23,931	34,148	—	127,281
Depreciation provided during the year	16,156	1,779	6,341	6,233	42,480	—	72,989
Disposals	—	—	—	(210)	(40,394)	—	(40,604)
Disposal of a subsidiary (Note 30)	(307)	(461)	(748)	(287)	(1,835)	—	(3,638)
At December 31, 2013	<u>56,854</u>	<u>2,961</u>	<u>32,147</u>	<u>29,667</u>	<u>34,399</u>	<u>—</u>	<u>156,028</u>
Net book value:							
At December 31, 2013	<u>390,405</u>	<u>36,643</u>	<u>34,916</u>	<u>30,074</u>	<u>133,019</u>	<u>69,919</u>	<u>694,976</u>

As at December 31, 2013, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB165,752,000 was still in progress.

Certain of the Group's buildings with an aggregate net book value of approximately RMB57,693,000, RMB104,282,000 and RMB149,468,000 as at December 31, 2011, 2012 and 2013, respectively, were pledged as security for the Group's bank borrowings (Note 23(a)).

14. LAND USE RIGHTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost:			
At the beginning of each year	81,522	129,990	166,230
Additions	48,468	36,240	280,131
Disposal of a subsidiary (Note 30)	—	—	(17,850)
At the end of each year	<u>129,990</u>	<u>166,230</u>	<u>428,511</u>
Amortisation:			
At the beginning of each year	4,312	6,534	11,752
Charge for the year	2,222	5,218	9,168
Disposal of a subsidiary (Note 30)	—	—	(223)
At the end of each year	<u>6,534</u>	<u>11,752</u>	<u>20,697</u>
Net book value:			
At the end of each year	<u>123,456</u>	<u>154,478</u>	<u>407,814</u>

The land use rights of the Group represent the cost of the Group's land use rights in respect of land located in Mainland China. The remaining periods of the land use rights of the Group are from 28 to 67 years.

As at December 31, 2013, the application for the ownership certificates for certain land use rights with an aggregate net book value of approximately RMB220,100,000 was still in progress.

Certain of the Group's land use rights with an aggregate net book value of approximately RMB59,017,000, RMB67,420,000 and RMB85,323,000 as at December 31, 2011, 2012 and 2013, respectively, were pledged as security for the Group's bank borrowings (Note 23(a)).

15. INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At January 1, 2011	971
Additions	<u>1,518</u>
At December 31, 2011	<u>2,489</u>
Accumulated amortisation:	
At January 1, 2011	915
Amortisation provided during the year	<u>79</u>
At December 31, 2011	<u>994</u>
Net book value:	
At December 31, 2011	<u><u>1,495</u></u>
Cost:	
At January 1, 2012	2,489
Additions	<u>3,401</u>
At December 31, 2012	<u>5,890</u>
Accumulated amortisation:	
At January 1, 2012	994
Amortisation provided during the year	<u>408</u>
At December 31, 2012	<u>1,402</u>
Net book value:	
At December 31, 2012	<u><u>4,488</u></u>
Cost:	
At the beginning of the year	5,890
Additions	<u>328</u>
At the end of the year	<u>6,218</u>
Amortisation:	
At the beginning of the year	1,402
Charge for the year	<u>577</u>
At the end of the year	<u>1,979</u>
Net book value:	
At the end of the year	<u><u>4,239</u></u>

16. PREPAYMENTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepaid lease for buildings and land use rights	16,643	10,993	8,887
Prepayments for purchase of land use rights	92,680	222,390	92,643
Prepayments for purchase of items of plant, property and equipment	8,688	24,565	31,311
	<u>118,011</u>	<u>257,948</u>	<u>132,841</u>

17. INVENTORIES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Motor vehicles	418,358	703,801	655,677
Spare parts and accessories	31,147	49,220	74,917
	<u>449,505</u>	<u>753,021</u>	<u>730,594</u>

Certain of the Group's inventories with an aggregate carrying amount of approximately RMB77,123,000, RMB105,285,000 and RMB180,457,000 as at December 31, 2011, 2012 and 2013 respectively, were pledged as security for the Group's bank loans and other borrowings (Note 23(a)).

Certain of the Group's inventories with an aggregate carrying amount of approximately RMB25,242,000, RMB76,381,000 and RMB113,034,000 as at December 31, 2011, 2012 and 2013 respectively, were pledged as security for the Group's bills payable (Note 24).

18. TRADE RECEIVABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	<u>16,223</u>	<u>47,481</u>	<u>50,841</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	14,473	44,476	48,116
More than 3 months but less than 1 year	1,714	2,586	2,085
Over 1 year.....	36	419	640
	<u>16,223</u>	<u>47,481</u>	<u>50,841</u>

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	16,187	47,062	50,201
Over one year past due	36	419	640
	<u>16,223</u>	<u>47,481</u>	<u>50,841</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepayments and deposits to suppliers.....	465,194	545,592	437,897
Vendor rebate receivables.....	9,273	44,690	77,083
VAT recoverables (i)	5,886	18,657	21,925
Others	9,797	19,562	28,398
	<u>490,150</u>	<u>628,501</u>	<u>565,303</u>

Note:

- (i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable VAT rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. PLEDGED BANK DEPOSITS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits pledged with banks as collateral against credit facilities of bills payable granted by the banks	208,381	400,994	292,209

Pledged bank deposits earn interest at interest rates stipulated by finance institutions. All pledged bank deposits at each reporting date were denominated in the currency of RMB.

21. CASH IN TRANSIT

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash in transit	17,397	19,610	33,240

Cash in transit is the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

22. CASH AND CASH EQUIVALENTS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and bank balances	271,442	328,741	451,930

As at December 31, 2011, 2012 and 2013 the cash and bank balances of the Group denominated in RMB amounted to RMB191,749,000, RMB276,013,000 and RMB412,446,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. INTEREST BEARING BANK LOANS AND OTHER BORROWINGS

	2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000
CURRENT:						
Bank loans	5.1-9.5	485,010	4.7-8.5	1,337,431	5.9-8.5	1,442,427
Other borrowings	5.3-7.8	49,674	6.5-7.8	88,151	6.5-7.8	81,247
		<u>534,684</u>		<u>1,425,582</u>		<u>1,523,674</u>
NON-CURRENT:						
Bank loans	5.8-8.7	118,693	7.0-8.7	83,170	7.0-8.7	145,188
		<u>653,377</u>		<u>1,508,752</u>		<u>1,668,862</u>
— secured		304,589		273,504		734,803
— guaranteed		148,409		885,312		906,653
— unsecured		<u>200,379</u>		<u>349,936</u>		<u>27,406</u>
		<u>653,377</u>		<u>1,508,752</u>		<u>1,668,862</u>

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank loans repayable			
Within one year or on demand	485,010	1,337,431	1,442,427
In the second year	9,000	—	74,188
In the third to fifth years, inclusive	<u>109,693</u>	<u>83,170</u>	<u>71,000</u>
	<u>603,703</u>	<u>1,420,601</u>	<u>1,587,615</u>
Other borrowings repayable			
Within one year or on demand	<u>49,674</u>	<u>88,151</u>	<u>81,247</u>
	<u>653,377</u>	<u>1,508,752</u>	<u>1,668,862</u>

(a) Certain of the Group's bank loans and other borrowings are secured by:

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB59,017,000, RMB67,420,000 and RMB85,323,000 as at December 31, 2011, 2012 and 2013, respectively;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB57,693,000, RMB104,282,000 and RMB149,468,000, as at December 31, 2011, 2012 and 2013, respectively; and
- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB77,123,000, RMB105,285,000, and RMB180,457,000 as at December 31, 2011, 2012 and 2013 respectively.

- (b) Certain of the Group's bank loans which amounted to RMB148,409,000, RMB885,312,000 and RMB906,653,000 were guaranteed by the Controlling Shareholders as at December 31, 2011, 2012 and 2013.

24. TRADE AND BILLS PAYABLES

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	9,107	18,245	42,409
Bills payable	347,364	546,949	402,383
Trade and bills payables	<u>356,471</u>	<u>565,194</u>	<u>444,792</u>

An aged analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 3 months	355,790	558,349	436,798
3 to 6 months	570	6,140	6,918
6 to 12 months	66	563	856
Over 12 months	45	142	220
	<u>356,471</u>	<u>565,194</u>	<u>444,792</u>

The trade and bills payables are non-interest-bearing.

The Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB25,242,000, RMB76,381,000 and RMB113,034,000 as at December 31, 2011, 2012 and 2013, respectively.

25. OTHER PAYABLES AND ACCRUALS

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Payables for purchase of property, plant and equipment	9,895	24,190	24,490
Advances from customers	263,662	148,355	112,259
Staff payroll and welfare payables	23,970	31,251	32,326
Lease payables	817	618	1,332
Tax payable (other than income tax)	4,465	5,095	5,336
Others	11,527	10,364	14,612
	<u>314,336</u>	<u>219,873</u>	<u>190,355</u>

26. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at December 31, 2011, 2012 and 2013, the Group had no significant obligation apart from the contributions as stated above.

27. DEFERRED TAX

Deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the years are as follows:

	Losses available for future taxable profit	Accrued payroll and social welfare	Amortisation of pre-operating expenses	Other accrual	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	171	1,998	395	253	2,817
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a)).	2,076	1,564	1,052	258	4,950
At December 31, 2011	2,247	3,562	1,447	511	7,767
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a)).	8,209	1,028	(1,094)	164	8,307
At December 31, 2012	10,456	4,590	353	675	16,074
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 10(a))	2,721	324	(353)	(107)	2,585
Disposal of a subsidiary (Note 30)	(1,843)	—	—	—	(1,843)
At December 31, 2013	11,334	4,914	—	568	16,816

The Group had accumulated tax losses arising in Hong Kong of RMB2,514,000, RMB3,003,000 and RMB3,443,000 as at December 31, 2011, 2012 and 2013, respectively, that are available indefinitely for offsetting against future taxable profits of the Companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors.

The Group's subsidiaries in the PRC are directly held by Sunfonda (Hong Kong) Limited, a Hong Kong tax resident.

The Group has not provided for withholding taxes on accumulated earnings of RMB368,299,000, RMB529,874,000 and RMB714,235,000 generated by its PRC entities from January 1, 2008 as at December 31, 2011, 2012 and 2013, respectively, because it is not probable that such accumulated earnings will be distributed to the holding company outside the PRC in the foreseeable future.

28. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 13, 2011 with an initial authorised share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1 each. On the date of incorporation, 100 ordinary shares of US\$100 were allotted and issued as fully paid by the Company to its then shareholders. On April 15, 2011, 1,000 ordinary shares of US\$1,000 were allotted and issued as fully paid by the Company to its then shareholders. On June 30, 2012, 43,900 ordinary shares of US\$43,900 were allotted and issued as fully paid by the Company to its then shareholders.

29. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in Note 39 of this section are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies,

which were consolidated from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders and waive of liabilities by the Controlling Shareholders. The deductions during the Relevant Periods represent acquisition of equity interests in subsidiaries from the Controlling Shareholders for business combination under common control.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

30. DISPOSAL OF A SUBSIDIARY

In June 2013, the Group disposed of its entire equity interests in Yangzhou Sunfonda Automobile Co., Ltd. ("Yangzhou Sunfonda") to Mr. Zhao Yijian, who is a close family member of the Controlling Shareholders, for a consideration of US\$5,000,000.

Details of the net assets disposed of and gain on disposal are as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	32,934
Land use rights	17,627
Deferred tax assets	1,843
Inventories	17,236
Trade receivables	1,140
Prepayments, deposits and other receivables	8,269
Cash in transit	1,066
Cash and cash equivalents	8,060
Interest bearing bank loans and other borrowings	(40,126)
Trade and bills payables	(2,984)
Other payables and accruals	(9,575)
Amounts due to related parties	(12,300)
	<u>23,190</u>
Non-controlling interests	3,000
Gain on disposal of a subsidiary	<u>4,704</u>
Satisfied by:	
Cash	<u>30,894</u>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:	
Cash consideration	30,894
Cash and cash equivalents disposed of	<u>(8,060)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>22,834</u>

31. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

Financial assets

	Loans and receivables		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	16,223	47,481	50,841
Financial assets included in prepayments, deposits and other receivables	19,070	64,252	105,481
Amounts due from related parties	—	—	6,371
Pledged bank deposits	208,381	400,994	292,209
Cash in transit	17,397	19,610	33,240
Cash and cash equivalents	271,442	328,741	451,930
	<u>532,513</u>	<u>861,078</u>	<u>940,072</u>

Financial liabilities

	Financial liabilities at amortised cost		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade and bills payables	356,471	565,194	444,792
Financial liabilities included in other payables and accruals	22,239	35,172	40,434
Amounts due to related parties	29,381	9,280	7,684
Interest bearing bank loans and other borrowings	653,377	1,508,752	1,668,862
	<u>1,061,468</u>	<u>2,118,398</u>	<u>2,161,772</u>

32. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

The Group's amounts due to the Controlling Shareholders amounting to RMB104,720,000 were capitalised during the year of 2011, among which RMB6,000 was recorded to share capital and the remaining RMB104,714,000 was recorded to capital reserve.

33. CONTINGENT LIABILITIES

As at December 31, 2011, 2012 and 2013, neither the Group nor the Company had any significant contingent liabilities.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

At the end of each Relevant Periods, neither the Group nor the Company had any financial asset or liability measured at fair value.

During the Relevant Periods, there were no transfer between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements.

35. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for in the Financial Information were as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for land use rights and buildings.....	<u>20,347</u>	<u>76,114</u>	<u>39,723</u>

(b) Operating lease commitments

At each reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,					
	2011		2012		2013	
	Properties	Land	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	11,760	2,926	11,753	4,815	15,677	4,155
After 1 year but within 5 years.....	45,661	12,168	32,337	18,841	48,762	18,973
After 5 years.....	<u>39,144</u>	<u>19,454</u>	<u>25,336</u>	<u>24,039</u>	<u>25,450</u>	<u>19,752</u>
	<u>96,565</u>	<u>34,548</u>	<u>69,426</u>	<u>47,695</u>	<u>89,889</u>	<u>42,880</u>

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of three to fifteen years, with an option to renew the leases when all the terms are renegotiated.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in Note 13, Note 14, Note 17 and Note 20 to the Financial Information.

37. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the Relevant Periods:

(a) Transactions with related parties

Certain of the Group's bank loans which amounted to RMB148,409,000, RMB885,312,000 and RMB906,653,000 were guaranteed by the Controlling Shareholders as at December 31, 2011, 2012 and 2013, respectively.

The Group's amounts due to the Controlling Shareholders amounting to RMB104,720,000 were capitalised during the year of 2011, among which RMB6,000 was recorded as share capital and the remaining RMB104,714,000 was recorded as capital reserve.

In June 2013, the Group disposed of its entire equity interests in Yangzhou Sunfonda to Mr. Zhao Yijian (Note 30). Upon the disposal date to December 31, 2013, revenue from the sale of motor vehicles to Yangzhou Sunfonda amounted to RMB24,673,000.

(b) Balances with related parties**(i) Due from related parties:**

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade related			
Yangzhou Sunfonda Automobile Co., Ltd. . .	—	—	6,371
	—	—	—
	—	—	6,371
	—	—	—

(ii) Due to related parties:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-trade related			
The Controlling Shareholders			
— Mr. Wu Tak Lam and			
Ms. Chiu Man	29,381	9,280	7,684
	<u>29,381</u>	<u>9,280</u>	<u>7,684</u>

(iii) Compensation of key management personnel of the Group:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	2,795	2,404	3,093
Post-employee benefits	<u>267</u>	<u>138</u>	<u>138</u>
Total compensation paid to			
key management personnel	<u>3,062</u>	<u>2,542</u>	<u>3,231</u>

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest bearing loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest bearing assets other than pledged bank deposits (Note 20) and cash and cash equivalents (Note 22).

The Group's interest rate risk arises from its borrowings, details of which are set out in Note 23. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
Year ended December 31, 2011		
RMB	50	(356)
RMB	(50)	356
Year ended December 31, 2012		
RMB	50	(328)
RMB	(50)	328
Year ended December 31, 2013		
RMB	50	(491)
RMB	(50)	491

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade and other receivables, amounts due from related parties included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2011, 2012 and 2013, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each reporting periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans						
and other borrowings	—	51,217	524,052	120,969	—	696,238
Trade and bills payables	9,107	347,364	—	—	—	356,471
Other payables	11,527	2,678	8,034	—	—	22,239
Amounts due to related parties	29,381	—	—	—	—	29,381
	<u>50,015</u>	<u>401,259</u>	<u>532,086</u>	<u>120,969</u>	<u>—</u>	<u>1,104,329</u>

As at December 31, 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings.....	—	387,978	1,087,973	89,549	—	1,565,500
Trade and bills payables	18,245	546,949	—	—	—	565,194
Other payables	10,364	6,202	18,606	—	—	35,172
Amounts due to related parties	9,280	—	—	—	—	9,280
	<u>37,889</u>	<u>941,129</u>	<u>1,106,579</u>	<u>89,549</u>	<u>—</u>	<u>2,175,146</u>

As at December 31, 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings.....	—	441,346	1,145,587	154,871	—	1,741,804
Trade and bills payables	42,409	402,383	—	—	—	444,792
Other payables	14,612	6,456	19,366	—	—	40,434
Amounts due to related parties	7,684	—	—	—	—	7,684
	<u>64,705</u>	<u>850,185</u>	<u>1,164,953</u>	<u>154,871</u>	<u>—</u>	<u>2,234,714</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2011, 2012 and 2013.

The Group monitors capital using a gearing ratio, which is total debt divided by the equity attributable to owners of the parent. Total debt includes interest bearing bank loans and other borrowings and amounts due to related parties. The gearing ratios as at the end of each reporting periods were as follows:

	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest bearing bank loans and other borrowings	653,377	1,508,752	1,668,862
Amounts due to related parties	29,381	9,280	7,684
Total debt	682,758	1,518,032	1,676,546
Equity attributable to owners of the parent	683,741	844,027	1,031,104
Gearing ratio	99.9%	179.9%	162.6%

39. INTERESTS IN SUBSIDIARIES

	Company		
	December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	104,720	125,704	125,704
Due from a subsidiary	194,698	194,698	186,336
	299,418	320,402	312,040

The amounts due from a subsidiary included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

As at the date of this report, the Company has direct or indirect interests in the following principle subsidiaries:

Company name		Place and date of incorporation/business	Authorised/registered/paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	(i)	Hong Kong, the PRC 1997	Registered capital of HK\$2,500,000 and paid-in capital of HK\$1,501,000	—	100%	Investment holding
Grand Forever Enterprises Limited	(ii)	Tortola, the BVI 2011	Registered capital of US\$50,000 and paid-in capital of US\$2,001	100%	—	Investment holding

Company name		Place and date of incorporation/business	Authorised/registered/paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
陝西新豐泰汽車有限責任公司 (Shaanxi Sunfonda Automobile Co., Ltd.)	(iii)	Xi'an, the PRC 2000	Registered and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司 (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.) . . .	(iii)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB250,000,000	—	100%	Sale and service of motor vehicles
西安新銘洋豐田汽車銷售服務有限公司 (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	(iii)	Xi'an, the PRC 2003	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
陝西凱盛汽車銷售服務有限公司 (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	(iv)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB15,000,000	—	100%	Sale and service of motor vehicles
陝西信捷汽車有限責任公司 (Shaanxi Xinjie Automobile Co., Ltd.) . . .	(iii)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB13,000,000	—	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司 (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	(v)	Xi'an, the PRC 2006	Registered and paid-in capital of HK\$20,000,000	—	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司 (Shanxi Yingjie Automobile Sales Services Co., Ltd.)	(vi)	Taiyuan, the PRC 2009	Registered and paid-in capital of HK\$15,000,000	—	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司 (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	(vii)	Ordos, the PRC 2010	Registered and paid-in capital of RMB16,846,750	—	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任公司 (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	(iii)	Xi'an, the PRC 2010	Registered and paid-in capital of RMB55,199,805	—	100%	Sale and service of motor vehicles
北京新豐泰博奧商貿有限責任公司 (Beijing Sunfonda Boao Commercial Trading Co., Ltd.)	(viii)	Beijing, the PRC 2010	Registered and paid-in capital of HK\$38,000,000	—	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰凱盛汽車有限責任公司 (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	(vii)	Ordos, the PRC 2010	Registered and paid-in capital of RMB11,733,148	—	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司 (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	(iii)	Xi'an, the PRC 2009	Registered and paid-in capital of HK\$84,000,000	—	100%	Sale and service of motor vehicles
蘇州新豐泰汽車銷售服務有限公司 (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	(ix)	Suzhou, the PRC 2011	Registered and paid-in capital of RMB38,080,000	—	100%	Sale and service of motor vehicles

Company name		Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
蘭州新豐泰汽車銷售有限責任公司 (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	(x)	Lanzhou, the PRC 2011	Registered and paid-in capital of HK\$9,800,000	—	100%	Sale and service of motor vehicles
陝西新豐泰迎賓汽車銷售服務有限公司 (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	(xi)	Xi'an, the PRC 2011	Registered and paid-in capital of HK\$21,000,000	—	100%	Sale and service of motor vehicles
延安新豐泰博奧汽車有限責任公司 (Yan'an Sunfonda Boao Automobile Co., Ltd.)	(xii)	Yan'an, the PRC 2011	Registered and paid-in capital of HK\$20,000,000	—	100%	Sale and service of motor vehicles
榆林市新豐泰凱盛汽車銷售服務有限公司 (Yulin Sunfonda Kaisheng Automobile Sales Services Co., Ltd.)	(xiii)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	—	100%	Sale and service of motor vehicles
榆林市新豐泰美東汽車銷售服務有限公司 (Yulin Sunfonda Meidong Automobile Sales Services Co., Ltd.)	(xiii)	Yulin, the PRC 2011	Registered and paid-in capital of RMB6,335,206	—	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司 (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xiv)	Xi'an, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB30,000,000	—	100%	Sale and service of motor vehicles
蘇州新豐泰美東汽車銷售服務有限公司 (Suzhou Sunfonda Meidong Automobile Sales Services Co., Ltd.)	(xvi)	Suzhou, the PRC 2012	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
山西新豐泰汽車銷售服務有限公司 (Shanxi Sunfonda Automobile Sales Services Co., Ltd.)	(xv)	Taiyuan, the PRC 2012	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司 (Wuxi Sunfonda Automobile Co., Ltd.)	(xvii)	Wuxi, the PRC 2013	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles
榆林市新豐泰汽車銷售服務有限公司 (Yulin Sunfonda Automobile Sales Services Co., Ltd.)	(xviii)	Yulin, the PRC 2013	Registered capital of RMB10,000,000 and paid-in capital of RMB2,000,000	—	100%	Sale and service of motor vehicles

Company name	Place and date of incorporation/business	Authorised/registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
山西新豐泰駿美汽車銷售服務有限公司 (Shanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xv) Taiyuan, the PRC 2012	Registered capital of RMB50,000,000 and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司 (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	(xix) Yangzhou, the PRC 2013	Registered and paid-in capital of RMB30,000,000	—	90%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司 (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	(xx) Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司 (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	(xviii) Yinchuan, the PRC 2013	Registered and paid-in capital of HK\$5,000,000	—	100%	Sale and service of motor vehicles
寧夏新豐泰駿美汽車銷售服務有限公司 (Ningxia Sunfonda Junmei Automobile Sales Services Co., Ltd.)	(xviii) Yinchuan, the PRC 2013	Registered and paid-in capital of RMB20,000,000	—	100%	Sale and service of motor vehicles
無錫新豐泰德輝汽車銷售服務有限公司 (Wuxi Sunfonda Dehui Automobile Sales Services Co., Ltd.)	(xvii) Wuxi, the PRC 2013	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司 (Xi'an Sunfonda Jinghe Logistics Development Co., Ltd.)	(xviii) Xi'an, the PRC 2013	Registered and paid-in capital of RMB1,010,000	—	100%	Logistics service of motor vehicles
蘇州新豐泰德輝汽車銷售服務有限公司 (Suzhou Sunfonda Dehui Automobile Sales Services Co., Ltd.)	(ii) Suzhou, the PRC 2013	Registered and paid-in capital of RMB5,000,000	—	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司 (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	(ii) Beijing, the PRC 2014	Registered and paid-in capital of RMB10,000,000	—	100%	Sale and service of motor vehicles
渭南新豐泰博奧汽車銷售服務有限公司 (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	(ii) Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	—	80%	Sale and service of motor vehicles

Notes:

- (i) The statutory financial statements of this entity for the years ended December 31, 2011 and 2012 prepared under HKFRSs were audited by Philip Poon & Partners CPA Limited, certified public accountants registered in Hong Kong. The statutory financial statements for the year ended December 31, 2013 have not been audited by the date of this report.
- (ii) No statutory accounts have been prepared for these subsidiaries since their incorporation as these subsidiaries are not required by the local government to prepare statutory accounts.
- (iii) The statutory accounts of these subsidiaries for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants), respectively.

- (iv) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西新達會計師事務所 (Shaanxi Xin Da Certified Public Accountants), and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants), respectively.
- (v) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants), respectively.
- (vi) The statutory accounts of this entity for the years ended December 31, 2011 were audited by 太原友信會計師事務所 (Taiyuan You Xin Certified Public Accountants). The statutory accounts of this entity for the years ended December 31, 2012 and 2013 were audited by 山西友信會計師事務所 (Shanxi You Xin Certified Public Accountants).
- (vii) The statutory accounts of these subsidiaries for the years ended December 31, 2011, 2012 and 2013 were audited by 內蒙古華才會計師事務所 (Inner Mongolia Hua Cai Certified Public Accountants), 元發會計事務所 (Yuan Fa Certified Public Accountants), and 鄂爾多斯市東勝區信和會計師事務所 (Ordos Dong Sheng District Xin He Certified Public Accountants), respectively.
- (viii) The statutory accounts of this entity for the years ended December 31, 2011 and 2012 were audited by 北京恒浩會計師事務所 (Beijing Heng Hao Certified Public Accountants). The statutory accounts of this entity for the year ended December 31, 2013 have not been audited by the date of this report.
- (ix) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 仲華會計師事務所 (Zhong Hua Certified Public Accountants).
- (x) The statutory accounts of this entity for the years ended December 31, 2011 were audited by 蘭州金瑞會計師事務所 (Lanzhou Jin Rui Certified Public Accountants). The statutory accounts of this entity for the years ended December 31, 2012 and 2013 were audited by 甘肅勵致安遠會計師事務所 (Gansu Lizhi An Yuan Certified Public Accountants).
- (xi) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西興華會計師事務所 (Shaanxi Xing Hua Certified Public Accountants), 陝西西秦金周會計師事務所有限公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants), respectively.
- (xii) The statutory accounts of this entity for the years ended December 31, 2011, 2012 and 2013 were audited by 陝西順達會計師事務所 (Shaanxi Shun Da Certified Public Accountants), 陝西西秦金周會計師事務所有限公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants), and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants), respectively.
- (xiii) No statutory accounts have been prepared for these subsidiaries since their incorporation as these subsidiaries are not required by the local government to prepare statutory accounts for the year ended December 31, 2011. The statutory accounts of these subsidiaries for the year ended December 31, 2012 were audited by 榆林博瑞有限責任會計師事務所 (Yulin Bo Rui Certified Public Accountants). The statutory accounts of these subsidiaries for the year ended December 31, 2013 have not been audited by the date of this report.
- (xiv) The statutory accounts of this entity for the year ended December 31, 2012 and 2013 were audited by 陝西西秦金周會計師事務所有限公司 (Shaanxi Xiqin Jin Zhou Certified Public Accountants) and 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants).
- (xv) The statutory accounts of these subsidiaries for the year ended December 31, 2012 and 2013 were audited by 山西友信會計師事務所 (Shanxi You Xin Certified Public Accountants).
- (xvi) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 蘇州仲華會計師事務所 (Suzhou Zhong Hua Certified Public Accountants).
- (xvii) The statutory accounts of these subsidiaries for the year ended December 31, 2013 were audited by 無錫眾信會計師事務所有限公司 (Wuxi Zhong Xin Certified Public Accountants).
- (xviii) The statutory accounts of these subsidiaries for the year ended December 31, 2013 have not been audited by the date of this report.
- (xix) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 揚州邗瑞會計師事務所 (Yangzhou Han Rui Certified Public Accountants).
- (xx) The statutory accounts of this entity for the year ended December 31, 2013 were audited by 陝西高德會計師事務所有限公司 (Shaanxi Gao De Certified Public Accountants).

40. EVENTS AFTER THE REPORTING PERIOD

- (i) On January 8, 2014, the authorized share capital of the Company was changed from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each, through the creation of an additional 1,000,000,000 Shares with a par value of US\$0.0001 each ranking pari passu in all respects with the existing Shares. On the same date, the Company issued 450,000,000 Shares with a par value of US\$0.0001 to its then shareholders, Top Wheel Limited. Immediately following the completion of the above steps, the Company repurchased 45,000 shares with a par value of US\$1.00 in issue from Top Wheel Limited for a consideration of US\$45,000, which has been settled in full by the amount payable by Top Wheel Limited for the subscription of 450,000,000 Shares with a par value of US\$0.0001. All authorized Shares of a par value of US\$1.00 each was cancelled immediately after this repurchase of shares. As a result, the authorized share capital of the Company became US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each.
- (ii) On January 8, 2014, the Company adopted a Pre-IPO Share Award Scheme. Pursuant to the Pre-IPO Share Award Scheme, the selected employees of the Group will be awarded shares representing 2% of the total issued share capital of the Company as at January 8, 2014. The principal terms of the scheme is summarised in Appendix VI "Statutory and General Information" to the Prospectus.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to December 31, 2013.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2013 as if it had taken place on December 31, 2013.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2013 or any future date. It is prepared based on our consolidated net assets as of December 31, 2013 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the parent as of December 31, 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)
Based on the Offer Price of HK\$3.61 per Share	1,026,865	374,328	1,401,193	2.34	2.92

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2013 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the parent as of December 31, 2013 of RMB1,031,104,000 less intangible assets as of December 31, 2013 of RMB4,239,000.
2. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$3.61 per Share after deduction of the underwriting fees and commissions (including the discretionary incentive fee) and other related expenses payable by our Company and 150,000,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares are in issue assuming that the Global Offering has been completed on December 31, 2013 and the Offer Price of HK\$3.61 per Share, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80269.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2013.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

April 30, 2014

The Directors
Sunfonda Group Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sunfonda Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at December 31, 2013, and related notes as set out in Appendix II to the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at December 31, 2013 as if the transaction had taken place at December 31, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended December 31, 2013, on which an accountant's report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

CAYMAN ISLANDS TAXATION**Taxation**

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 our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by our Company.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC TAXATION**Income Tax**

The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), or the EIT Law, was enacted by National People's Congress, or the NPC, in March 2007 and became effective as of January 1, 2008. According to the EIT Law, both PRC domestic companies and foreign-invested enterprises, or the FIEs, are subject to an enterprise income tax at the unified rate of 25%.

In addition, according to the EIT Law and its implementation rules, an enterprise incorporated under the laws of foreign jurisdictions but whose “de facto management body” is located in China is treated as “resident enterprise” for PRC tax purposes, and will be subject to PRC enterprise income tax rate of 25% on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as a management body that exercises overall or substantial management and control over the business, personnel, accounting and assets of an enterprise. The SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (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), or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China, which include all of the following conditions: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decision are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. Although Circular 82 explicitly provides that the above standards apply to enterprises which are registered outside the PRC and funded by PRC enterprises or PRC enterprise groups as controlling investors, the determining criteria set forth in Circular 82 may reflect SAT's general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals. We currently do not believe that we or our Hong Kong subsidiary meet all of the conditions above thus we do not believe that we are, or our Hong Kong subsidiary is, a PRC resident enterprise but there can be no assurance in this regard. If we and/or our Hong Kong subsidiary were considered to be a PRC tax resident enterprise, we and/or our Hong Kong

subsidiary would be subject to a PRC enterprise income tax on our and/or our Hong Kong subsidiary's worldwide taxable income at a tax rate of 25% and to certain reporting obligations.

The EIT Law and its implementation rules provide that a 10% PRC withholding tax will be applicable to dividends payable by Chinese companies to non-resident enterprise shareholders unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions. Under the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅的安排), or Double Tax Avoidance Arrangement, dividends paid by a foreign-invested enterprise in the PRC to its direct holding company, which is considered a Hong Kong tax resident and is determined by the competent PRC tax authority to have satisfied relevant requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws, will be subject to withholding tax at the rate of 5%. Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to approval of the relevant tax authority.

The SAT issued the Notice on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (關於執行稅收協定股息條款有關問題的通知), effective on February 20, 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, PRC tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity.

The SAT promulgated the Circular on How to Interpret and Recognize the "Beneficial Owners" in Tax Treaties (關於如何理解和認定稅收協定中“受益所有人”的通知), or Circular 601, on October 27, 2009 which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under the PRC's tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. A "conduit company" will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A "conduit company" normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits.

In order to better implement Circular 601, the SAT released the Announcement on the Determination of "Beneficial Owners" under the Tax Treaties (關於認定稅收協定中“受益所有人”的公告), or Announcement 30, on June 29, 2012, which provides for the treatment and procedure on determination of the "beneficial owners".

Announcement 30 emphasizes the importance of reviewing various legal and financial supporting documents for the determination of "beneficial owners", including without limitation, articles of association, financial statements, minutes of the board meeting, resolutions of the board of directors, allocation of manpower and resources, related expenses, risk sharing, loan contracts, royalty contracts, patent certificates, copyright certificates and agency contracts.

According to the Announcement 30, the non-resident applicant for the treaty benefits who derives dividend income within China, the identity of the "beneficial owners" can be determined directly if (1) the applicant is a company that is listed in the signatory party to the relevant tax treaty, or the applicants is 100% directly or indirectly owned by company that is listed in, and also the residents of, the signatory party to the relevant tax treaty (excluding situations where shares of the applicants are indirectly held through entities in a third country or region which are not signatory parties to the relevant tax treaty); and (2) the dividends are derived from the shares held by such listed company.

It is unclear whether our Company and Grand Forever would be treated as Hong Kong tax residents and whether our Hong Kong subsidiary could be directly determined as the “beneficial owners” by the tax authorities according to Announcement 30. Therefore, it is uncertain whether any dividends distributed by our PRC subsidiaries to us will be entitled to the benefits under the Double Tax Avoidance Arrangement and other applicable PRC laws and whether our Hong Kong Subsidiary will be entitled to the 5% reduced tax rate.

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued, on April 30, 2009, the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知), or Circular 59. On December 10, 2009, SAT issued the Notice on Strengthening the Management on the Enterprise Income Tax for Non-resident Enterprises Equity Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or Circular 698. Both Circular 59 and Circular 698 became effective retrospectively on January 1, 2008. Pursuant to Circular 59 and Circular 698, where a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-PRC resident enterprise, being the transferor, must report to the relevant tax authority of the PRC resident enterprise such indirect transfer. Under a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10%. Although it appears that Circular 698 was not intended to apply to stock transfers of publicly traded companies, there is uncertainty as to the application of Circular 698. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

Business Tax

According to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例) and the relevant implementation rules, effective as of January 1, 2009, enterprises and individuals that provide various services, assign intangible assets, or sell real property in the PRC are subject to business tax at a rate ranging from 3% to 20%.

Value-Added Tax

The Provisional Regulations on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) and the relevant implementation rules, effective as of January 1, 2009, apply to domestic and foreign-invested enterprises that sell goods, provide processing or repair services, or import goods into the PRC. VAT payable is calculated as the amount of VAT liability in excess of VAT credit. A company incurs a VAT credit when it makes an eligible purchase and a VAT liability when it makes an eligible sale. The rate for VAT is 17%, while a rate of 13% applies to certain specified categories of goods sold or imported.

HONG KONG TAXATION**Dividends**

Under the current practice of the Inland Revenue Department of the Government of Hong Kong, 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 16.5% and on individuals at a maximum rate of 15.0%. 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 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 February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS LAW

1. Memorandum of Association

The Memorandum of Association was conditionally adopted on January 18, 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and available for inspection” in Appendix VI to this prospectus.

2. Articles of Association

The Articles of Association were conditionally adopted on January 18, 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is US\$100,000 divided into 1,000,000,000 ordinary shares of US\$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

APPENDIX IV	SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only

of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the 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 share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meetings. Any Director appointed by the Board as an additional to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or

of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be a seven-day period commencing on the day after the despatch of the notice of the meeting appointed for such election (or such other period being a period of not less than seven days, commencing no earlier than the day after the despatch of the notice of such meeting), and ending no later than seven days prior to the date of such meeting, (as may be determined by the Board from time to time), there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected as a Director thereto.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The 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 assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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2.5 *Alteration of capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the 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;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution – majority required*

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the

intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents together with the notice of annual general meeting to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association, to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

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- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on six business days' notice in the case of a right issue, or such other period as may be prescribed by the Listing Rules) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

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 also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the 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: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may

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prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on six business days' notice in the case of a rights issue, or such other period as may be prescribed by the Listing Rules) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

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2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

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SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 13, 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

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6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of

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members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

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19. Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 13, 2011 under the Cayman Companies Law. Our registered address is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. We have registered a place of business in Hong Kong at Unit D, 13/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong and have been registered as a non-Hong Kong company under the Companies Ordinance. Ms. So Yee Kwan of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, has been appointed as our agent for the acceptance of service of process and notices in Hong Kong and such appointment shall be effective from the Listing Date.

As we are incorporated in the Cayman Islands, our corporate structure, our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Islands company law are set out in Appendix IV to this prospectus.

2. Changes in Share Capital

As at the date of our incorporation, the authorized share capital of the Company was US\$50,000 divided into 50,000 shares of par value of US\$1.00 each. The following sets out the changes in the Company's issued share capital since the date of its incorporation:

- (a) On January 13, 2011, one share of a par value of US\$1.00 was allotted, issued and credited as fully paid to Offshore Incorporations (Cayman) Limited as the initial subscriber. On the same date, Offshore Incorporations (Cayman) Limited transferred one share to Golden Speed, an additional 69 shares and 30 shares of par value of US\$1.00 each were allotted, issued and credited as fully paid to Golden Speed and Win Force, respectively.
- (b) On February 21, 2011, 70 shares held by Golden Speed and 30 shares held by Win Force were transferred to Top Wheel for consideration of US\$70 and US\$30 respectively.
- (c) On April 15, 2011, an additional 1,000 shares were allotted, issued and credited as fully paid to Top Wheel as consideration to capitalize the Restructuring Loans of HK\$125,621,500, the details of which are set out in the section headed "Our History and Reorganization".
- (d) On June 30, 2012, an additional 43,900 shares were allotted, issued and credited as fully paid to Top Wheel as consideration to capitalize two non-interest bearing loans with an outstanding aggregate principal amount of US\$34.22 million due to Top Wheel.

- (e) On January 8, 2014, the authorized share capital of our Company was changed from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each and US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each, through the creation of an additional 1,000,000,000 Shares with a par value of US\$0.0001 each ranking pari passu in all respects with the existing Shares. On the same date, our Company issued 450,000,000 Shares with a par value of US\$0.0001 to Top Wheel. Immediately following the completion of the above steps, our Company repurchased 45,000 shares with a par value of US\$1.00 in issue from Top Wheel for a consideration of US\$45,000, which has been settled in full by the amount payable by Top Wheel for the subscription of 450,000,000 Shares with a par value of US\$0.0001. All authorized shares of a par value of US\$1.00 each was cancelled immediately after this repurchase of shares. As a result, the authorized share capital of our Company became US\$100,000 divided into 1,000,000,000 Shares of a par value of US\$0.0001 each.
- (f) On January 8, 2014, 9,000,000 Shares held by Top Wheel were transferred to Westernrobust for nil consideration.

Pursuant to the terms of the Pre-IPO Investment Agreements, 90,000,000 Shares will be transferred to Standard Chartered Private Equity as the consideration for Top Wheel to repurchase all its shares held by Standard Chartered Private Equity, immediately prior to completion of the Global Offering.

Immediately following the completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), our authorized share capital upon completion of the Global Offering will be US\$100,000 divided into 1,000,000,000 Shares, of which 600,000,000 Shares will be issued fully paid or credited as fully paid, and 400,000,000 Shares will remain unissued.

Save as disclosed in this Appendix and in the section headed “Our History and Reorganization” in this prospectus, there has been no alteration in the Company’s share capital since the date of our incorporation.

3. Resolutions of our Shareholders

Pursuant to the written resolutions dated January 18, 2014 and April 28, 2014, our Shareholders resolved that:

- (a) the Memorandum of Association and Articles of Association were approved and adopted conditional upon Listing;
- (b) conditional upon all the conditions set out in “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled:
 - (1) the Global Offering, the proposed Listing of the Shares on the Main Board of the Stock Exchange and the Over-allotment Option be and are hereby approved and the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorized to effect or make modifications to the same as it thinks fit;

- (2) the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorized to allot and issue, and approve the transfer of such number of Shares in connection with the Global Offering;
 - (3) the Board (or any committee thereof established by the Board pursuant to the Articles of Association) be and is hereby authorized to agree the price per Offer Share with the Joint Global Coordinators; and
- (c) a general unconditional mandate be and is hereby given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a rights issue or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, not exceeding 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option or the options to be granted under the Share Option Scheme is not exercised), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until being revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;
- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or until being revoked or varied by an ordinary resolution of Shareholders in a general meeting, whichever occurs first;
- (e) the general mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above; and
- (f) the Share Option Scheme be approved and adopted and our Directors be authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

4. Repurchases of our own Shares

This section includes information relating to the repurchase of our Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant Legal and Regulatory Requirements

The Listing Rules permit our shareholders to grant to our directors a general mandate to repurchase our Shares that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our shareholders in a general meeting.

(b) Shareholders' Approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On January 18, 2014, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering on the Hong Kong Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose before any exercise of the Over-allotment Option. This mandate will expire at the earliest of (i) the conclusion of our next annual shareholders' general meeting, (ii) the date by which our next shareholders' general meeting is required by applicable laws and our Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our shareholders in a general meeting (the "Relevant Period").

(c) Source of Funds

Our repurchase of the Shares listed on the Hong Kong Stock Exchange must be funded from the funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Hong Kong Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the above, we may make repurchases with funds which would otherwise be available for dividend or distribution or out of an issuance of new Shares for the purpose of the repurchase.

(d) Reasons for Repurchases

Our Directors believe that it is in the Company's and our Shareholders' best interests for our directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit the Company and our Shareholders.

(e) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. 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 Company or the gearing levels which in the opinion of our directors are from time to time appropriate for us.

(f) Share Capital

The exercise in full of the current repurchase mandate, on the basis of 600,000,000 Shares in issue immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised, could accordingly result in up to 60,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Memorandum of Association and Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers. Our directors are not aware of any consequences of repurchases which would arise under the Hong Kong Code on Takeovers and Mergers.

No connected person as defined by the Listing Rules has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) Onshore companies*(i) Yulin Sunfonda Kaisheng*

On December 4, 2012, Yulin Sunfonda Kaisheng decreased its registered capital from HK\$20 million to HK\$8 million which had all been paid up as at the Latest Practicable Date.

On October 25, 2013, Sunfonda HK transferred the entire equity interest in Yulin Sunfonda Kaisheng to Shaanxi Sunfonda Technology at nil consideration.

(ii) Yulin Sunfonda Meidong

On December 4, 2012, Yulin Sunfonda Meidong decreased its registered capital from HK\$20 million to HK\$8 million, which had all been paid up as at the Latest Practicable Date.

On October 25, 2013, Sunfonda HK transferred the entire equity interest in Yulin Sunfonda Meidong to Shaanxi Sunfonda Technology at nil consideration.

(iii) Shaanxi Sunfonda Junmei

On June 12, 2012, Shaanxi Sunfonda Junmei was established under the laws of the PRC with a registered capital of RMB50 million, of which RMB30 million had been paid up as at the Latest Practicable Date.

(iv) Shanxi Sunfonda

On September 13, 2012, Shanxi Sunfonda was established under the laws of the PRC with a registered capital of RMB10 million, of which RMB2 million had been paid up as at the Latest Practicable Date.

(v) Suzhou Sunfonda Meidong

On September 18, 2012, Suzhou Sunfonda Meidong was established under the laws of the PRC with a registered capital of RMB10 million, of which RMB2 million had been paid up as at the Latest Practicable Date.

(vi) Shanxi Sunfonda Junmei

On December 21, 2012, Shanxi Sunfonda Junmei was established under the laws of the PRC with a registered capital of RMB50 million, of which RMB20 million had been paid up as at the Latest Practicable Date.

(vii) Yangzhou Boao

On February 1, 2013, Yangzhou Boao was established under the laws of the PRC with a registered capital of RMB30 million which has been fully paid up.

(viii) Xi'an Sunfonda Star

On July 10, 2013, the registered capital of Xi'an Sunfonda Star was increased from HK\$17 million to HK\$84 million and has been fully paid up. The increased amount of the registered capital was subscribed by Shaanxi Sunfonda.

(ix) Xi'an Hongqi

On May 10, 2013, Xi'an Hongqi was established under the laws of the PRC with a registered capital of RMB2 million.

On July 12, 2013, the registered capital of Xi'an Sunfonda Star was increased from RMB2 million to RMB10 million and has been fully paid up.

(x) Shaanxi Sunfonda

On June 4, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Sunfonda to Shaanxi Sunfonda Technology at nil consideration.

(xi) Ordos Sunfonda Kaisheng

On October 19, 2013, Sunfonda HK transferred the entire equity interest in Ordos Sunfonda Kaisheng to Shaanxi Sunfonda Technology at nil consideration.

(xii) Xi'an Junsheng

On June 16, 2013, Sunfonda HK transferred the entire equity interest in Xi'an Junsheng to Shaanxi Sunfonda Technology at nil consideration.

(xiii) Lanzhou Sunfonda

On August 30, 2013, Sunfonda HK transferred the entire equity interest in Lanzhou Sunfonda to Shaanxi Sunfonda Technology at nil consideration.

On April 9, 2014, the registered capital of Lanzhou Sunfonda was increased from HK\$9.8 million to RMB38.1 million which has been fully paid up.

(xiv) Yan'an Sunfonda Boao

On July 30, 2013, Sunfonda HK transferred the entire equity interest in Yan'an Sunfonda Boao to Shaanxi Sunfonda Technology at nil consideration.

(xv) Shaanxi Sunfonda Bentley

On June 25, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Sunfonda Bentley to Shaanxi Sunfonda Technology at nil consideration.

(xvi) Xi'an Xinmingyang

On July 15, 2013, Sunfonda HK transferred the entire equity interest in Xi'an Xinmingyang to Shaanxi Sunfonda Technology at nil consideration.

(xvii) Shaanxi Kaisheng

On June 25, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Kaisheng to Shaanxi Sunfonda Technology at nil consideration.

(xviii) Shaanxi Xinjie

On June 25, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Xinjie to Shaanxi Sunfonda Technology at nil consideration.

(xix) Shanxi Yingjie

On August 8, 2013, Sunfonda HK transferred the entire equity interest in Shanxi Yingjie to Shaanxi Sunfonda Technology at nil consideration.

(xx) Ordos Sunfonda Xinjie

On October 9, 2013, Sunfonda HK transferred the entire equity interest in Ordos Sunfonda Xinjie to Shaanxi Sunfonda Technology at nil consideration.

(xxi) Shaanxi Sunfonda Boao

On June 4, 2013, Sunfonda HK transferred the entire equity interest in Shaanxi Sunfonda Boao to Shaanxi Sunfonda Technology at nil consideration.

On August 6, 2013, the registered capital of Shaanxi Sunfonda Boao was increased from HK\$30 million to approximately RMB55.2 million and has been fully paid up.

(xxii) Wuxi Sunfonda

On January 5, 2013, Wuxi Sunfonda was established under the laws of the PRC with a registered capital of RMB10 million, of which RMB2 million had been fully paid up as at the Latest Practicable Date.

(xxiii) Wuxi Sunfonda Dehui

On August 30, 2013, Wuxi Sunfonda Dehui was established under the laws of the PRC with a registered capital of RMB5 million which has been fully paid up.

(xxiv) Ningxia Sunfonda Xinjie

On June 18, 2013, Ningxia Sunfonda Xinjie was established under the laws of the PRC with a registered capital of HK\$5 million which has been fully paid up.

(xxv) Ningxia Sunfonda Junmei

On August 12, 2013, Ningxia Sunfonda Junmei was established under the laws of the PRC with a registered capital of RMB4 million.

On September 17, 2013, the registered capital of Ningxia Sunfonda Junmei was increased from RMB4 million to RMB20 million and has been fully paid up.

(xxvi) Yulin Sunfonda

On March 25, 2013, Yulin Sunfonda was established under the laws of the PRC with a registered capital of RMB10 million, of which RMB2 million had been fully paid up as at the Latest Practicable Date.

(xxvii) Shaanxi Sunfonda Technology

On October 22, 2013, the registered capital of Shaanxi Sunfonda Technology was increased from RMB10 million to RMB250 million and has been fully paid up.

(xxviii) Suzhou Sunfonda Dehui

On December 24, 2013, Suzhou Sunfonda Dehui was established under the laws of the PRC with a registered capital of RMB5 million which has been fully paid up.

(xxiv) Beijing Sunfonda Automobile

On January 6, 2014, Beijing Sunfonda Automobile was established under the laws of the PRC with a registered capital of RMB10 million which has been fully paid up.

(xxv) Weinan Sunfonda Boao

On January 8, 2014, Weinan Sunfonda Boao was established under the laws of the PRC with a registered capital of RMB10 million which has been fully paid up.

(b) Offshore companies

(i) Grand Forever

On June 30, 2012, Grand Forever novated its liabilities and obligations under certain loan amounting to US\$3.3 million due to Top Wheel to our Company by issuing an additional 1,000 shares to our Company. For further details, please refer to the section headed “Our History and Reorganization — Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” of this prospectus.

(ii) *Sunfonda HK*

On June 30, 2012, Sunfonda HK novated its liabilities and obligations under certain loan amounting to US\$3.3 million due to Top Wheel to Grand Forever by issuing an additional 1,000 shares to Grand Forever. For further details, please refer to the section headed “Our History and Reorganization — Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans” of this prospectus.

Save as disclosed herein and in the section headed “Our History and Reorganization” in this prospectus, there had been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please refer to the section “Our History and Reorganization” in this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) the Deed. See “Our History and Reorganisation — Pre-IPO Investment”;
- (b) the Supplemental Deed. See “Our History and Reorganisation — Pre-IPO Investment”;
- (c) an agreement dated June 30, 2012 entered into between Top Wheel, Grand Forever, Sunfonda HK and the Company in relation to the novation and capitalization of certain loans from Top Wheel, details of which are disclosed in the section headed “Our History and Reorganization — Pre-IPO Investment — Novation and capitalization of Top Wheel’s loans”;
- (d) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shaanxi Sunfonda to Shaanxi Sunfonda Technology at nil consideration;
- (e) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shaanxi Sunfonda Bentley to Shaanxi Sunfonda Technology at nil consideration;
- (f) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shaanxi Kaisheng to Shaanxi Sunfonda Technology at nil consideration;

- (g) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shaanxi Xinjie to Shaanxi Sunfonda Technology at nil consideration;
- (h) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shaanxi Sunfonda Boao to Shaanxi Sunfonda Technology at nil consideration;
- (i) an equity transfer agreement dated March 5, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology pursuant to which Sunfonda HK agreed to sell the entire equity interest in Yulin Sunfonda Meidong to Shaanxi Sunfonda Technology at nil consideration;
- (j) A commitment letter on the conversion of certain debts into equity dated May 20, 2013 between Shaanxi Sunfonda and Xi'an Sunfonda Star to the effect that Shaanxi Sunfonda committed to subscribe the increased registered capital of Xi'an Sunfonda Star of HK\$67 million, out of which approximately HK\$19.2 million shall be paid up by conversion of the RMB18 million debts owed to Shaanxi Sunfonda by Xi'an Sunfonda Star into its equity;
- (k) an equity transfer agreement dated May 30, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Xi'an Junsheng to Shaanxi Sunfonda Technology at nil consideration;
- (l) an equity transfer agreement dated May 30, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Yan'an Sunfonda Boao to Shaanxi Sunfonda Technology at nil consideration;
- (m) an equity transfer agreement dated May 30, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Xi'an Xinmingyang to Shaanxi Sunfonda Technology at nil consideration;
- (n) an equity transfer agreement dated May 30, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Yulin Sunfonda Kaisheng to Shaanxi Sunfonda Technology at nil consideration;
- (o) an equity transfer agreement dated June 16, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Ordos Sunfonda Kaisheng to Shaanxi Sunfonda Technology at nil consideration;
- (p) an equity transfer agreement dated June 16, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Lanzhou Sunfonda to Shaanxi Sunfonda Technology at nil consideration;

- (q) an equity transfer agreement dated June 16, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Shanxi Yingjie to Shaanxi Sunfonda Technology at nil consideration;
- (r) an equity transfer agreement dated June 16, 2013 entered into between Sunfonda HK and Shaanxi Sunfonda Technology, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Ordos Sunfonda Xinjie to Shaanxi Sunfonda Technology at nil consideration;
- (s) an equity transfer agreement dated June 20, 2013 entered into between Sunfonda HK and Mr. Zhao, pursuant to which Sunfonda HK agreed to sell the entire equity interest in Yangzhou Sunfonda to Mr. Zhao at a consideration of US\$5 million;
- (t) the sponsor agreement dated September 23, 2013 entered into between the Sole Sponsor and the Company relating to the engagement of the Sole Sponsor by the Company in connection with the Global Offering;
- (u) an agreement dated October 14, 2013 entered into among Sunfonda HK, Mr. Zhao and Yangzhou Sunfonda, pursuant to which the parties agreed that following the disposal of the entire interest of Yangzhou Sunfonda to Mr. Zhao by Sunfonda HK, (i) Sunfonda HK shall enjoy no rights and take no obligations, liabilities or risks in connection with Yangzhou Sunfonda and its assets, including without limitation, any legal and economic responsibilities arising from incidents existing before the said disposal; (ii) Yangzhou Sunfonda and Mr. Zhao should be responsible for and should hold harmless Sunfonda HK against any disputes, claims, litigation, administrative sanctions, investigation or other administrative proceedings involving Yangzhou Sunfonda and its assets; and (iii) Sunfonda HK should not be responsible for any of these disputes, claims, litigation, administrative sanctions, investigation or other administrative proceedings involving Yangzhou Sunfonda and its assets;
- (v) the Second Supplemental Deed. See “Our History and Reorganisation — Pre-IPO Investment”;
- (w) the Deed of Indemnity;
- (x) the Deed of Non-competition;
- (y) the cornerstone investment agreement dated April 23, 2014 entered into between the Company, CIG Trustees Limited and J.P. Morgan Securities (Asia Pacific) Limited, pursuant to which CIG Trustees Limited agreed to subscribe for Offer Shares for a consideration of US\$10,000,000 at the Offer Price per Offer Share;
- (z) the cornerstone investment agreement dated April 24, 2014 entered into between the Company, Beijing Hua Yuan Ying Fu Investment Co., Ltd., Beijing Yun Tong Guo Rong Investment Co., Ltd., J.P. Morgan Securities (Asia Pacific) Limited and Guotai Junan Securities (Hong Kong) Limited, pursuant to which Beijing Hua Yuan Ying Fu Investment Co., Ltd. agreed to subscribe for Offer Shares for a consideration of US\$10,000,000 at the Offer Price per Offer Share;



(aa) the cornerstone investment agreement dated April 24, 2014 entered into between the Company, GAC Capital Co., Ltd., J.P. Morgan Securities (Asia Pacific) Limited and Guotai Junan Securities (Hong Kong) Limited, pursuant to which GAC Capital Co., Ltd. agreed to subscribe for Offer Shares for a consideration of US\$8,000,000 at the Offer Price per Offer Share; and

(bb) Hong Kong Underwriting Agreement.



2. Intellectual Property Rights of our Group

Trademarks

As at the Latest Practicable Date, the following trademarks were registered in the PRC:

Trademark	Registrant	Class	Registration Number	Expiry Date
	Shaanxi Sunfonda	37	3542968	January 27, 2018
	Shaanxi Sunfonda	35	3542969	January 6, 2015

As at the Latest Practicable Date, the following trademarks were registered in Hong Kong:

Trademark	Registrant	Registration number	Class	Expiry Date
 (in series)	Shaanxi Sunfonda	302247381	35	May 10, 2022
 (in series)	Shaanxi Sunfonda	302315493	35	July 16, 2022

Domain names

As at the Latest Practicable Date, the following domain names were registered and principally used by our Group in its business operations:

Domain Name	Registrant	Valid until
sunfonda.com.cn	Shaanxi Sunfonda	October 9, 2018
vw-sfd.com.cn	Shaanxi Sunfonda Technology	April 1, 2016

3. Material Properties

Among our owned and leased properties, 26 of them are considered material by our Group as we operate outlets and spare parts distribution center thereon, which altogether contributed substantially all of our revenue during the Track Record Period. Details of such material properties are set out as below:

No.	Owner/Lessee	Property Name, Address and Use	Approximate Area (m ²)		Actual Use and Restrictions on Use	Owned or Leased (Lease Term)	Method of Acquisition of Land Use Right/ Expiry Date of Land Use Right of Owned Land
			Land	Building			
1	Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) ⁽¹⁾	A 4S shop of Audi located at No. 8 West Portion of North 2nd Ring Road, Weiyan District, Xi'an, Shaanxi Province, PRC (中國陝西省西安市未央區北二環西段8號之奧迪4S店)	9,541	5,660	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until August 22, 2041
2	Shaanxi Sunfonda Automobile Co., Ltd. Jinghe Branch (陝西新豐泰汽車有限責任公司涇河分公司) ⁽²⁾⁽³⁾	A warehouse of FAW-Volkswagen located at No. 188 Jingwei East Road, Jinghe Industrial Park, Xi'an, Shaanxi Province, PRC (中國陝西省西安市涇河工業園涇渭東路188號之一汽大眾備件中轉庫)	33,655	14,706	Actual: Warehouse Restriction: Residential	Owned	Land Grant until June 1, 2080
3	Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司)	A 4S shop of Volkswagen located at No. 1555 Ouya 1st Road, Xi'an Chanba Ecological Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市西安滻灞生態區歐亞一路1555號之大眾4S店)	7,475	13,213	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until November 12, 2049
4	Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) ⁽³⁾	A 4S shop of Toyota located at No. 67 Jinye 2nd Road, Hi-Tech Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市高新區錦業二路67號之豐田4S店)	10,500	5,887	Actual: 4S dealership store Restriction: Commercial Service	Owned	Land Grant until February 17, 2044
5	Shaanxi Kaisheng Automobile Sales Services Co., Ltd. (陝西凱盛汽車銷售服務有限公司) ⁽³⁾	A 4S shop for Cadillac located at Mingguang Road, Economic and Technique Development Zone, Weiyang District, Xi'an, Shaanxi Province, PRC (中國陝西省西安市未央區經濟技術開發區明光路之凱迪拉克4S店)	6,722	3,627	Actual: 4S dealership store Restriction: Industrial	Owned	Land Grant until July 11, 2056

No.	Owner/Lessee	Property Name, Address and Use	Approximate Area (m ²)		Actual Use and Restrictions on Use	Owned or Leased (Lease Term)	Method of Acquisition of Land Use Right/ Expiry Date of Land Use Right of Owned Land
			Land	Building			
6	Shaanxi Xinjie Automobile Co., Ltd. (陝西信捷汽車有限責任公司) ⁽³⁾	A 4S shop of Porsche located at No. 30 3rd Ring South Road, Hi-Tech Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市高新區三環南輔道30號之保時捷4S店)	6,753	3,134	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until July 7, 2047
7	Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd. (西安鈞盛雷克薩斯汽車銷售服務有限公司) ⁽³⁾	A 4S shop for Lexus located at No. 28 3rd Ring South Road, Hi-Tech Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市高新區三環南輔道28號之雷克薩斯4S店)	8,049	4,483	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until January 29, 2047
8	Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd. (西安鈞盛雷克薩斯汽車銷售服務有限公司) ⁽⁴⁾	An automobile showroom for Lexus located at Taoyuan South Road, Xi'an, Shaanxi Province, PRC (中國陝西省西安市桃園南路之雷克薩斯銷售展廳)	—	660	Actual: Automobile Showroom Restriction: Commercial	Leased until April 30, 2021	Leased Land
9	Shanxi Yingjie Automobile Sales Services Co., Ltd. (山西盈捷汽車銷售服務有限公司) ⁽⁵⁾	A 4S shop for Porsche located at No. 56 Huangling Road, Xiaodian District, Taiyuan, Shanxi Province, PRC (中國山西省太原市小店區黃陵路56號之保時捷4S店)	6,300	3,705	Actual: 4S dealership store Restriction: Science Research and Education	Leased until October 31, 2023	Leased Land
10	Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司) ⁽³⁾	A 4S shop for Audi located at No. 1535 Quya 1st Road, Xi'an Chanba Ecological Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市西安澇灊生態區歐亞一路1535號之奧迪4S店)	10,248	9,943	Actual: 4S dealership store Restriction: Wholesale and Retail	Owned	Land Grant until November 12, 2049
11	Ordos Sunfonda Xinjie Automobile Co., Ltd. (鄂爾多斯市新豐泰信捷汽車有限責任公司) ⁽³⁾	A 4S shop for Porsche located at south of Tianjun Main Road and north of Anjun South Road, Tongchuan Town, Dongsheng District, Ordos, Inner Mongolian Autonomous Region, PRC (中國內蒙古自治區鄂爾多斯市東勝區銅川鎮天駿大道南、安居南路北之保時捷4S店)	12,712	3,881	Actual: 4S dealership store Restriction: Wholesale and retail uses	Owned	Land Grant until August 30, 2050
12	Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd. (陝西新豐泰迎賓汽車銷售服務有限公司) ⁽³⁾	A 3S shop for Bentley located at No. 1688 Ouya 1st Road, Xi'an Chanba Ecological Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安市澇灊生態區歐亞一路1688號之賓利銷售3S店)	11,131	5,684	Actual: 3S dealership store Restriction: Commercial	Owned	Land Grant until November 12, 2049
13	Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd. (陝西新豐泰迎賓汽車銷售服務有限公司分公司)	An automobile showroom for Bentley located at Linkai International Building, No. 38 Keji Road, Xi'an, Shaanxi Province, PRC (中國陝西省西安市高新區科技路38號林凱國際大廈一層之賓利銷售展廳)	—	630	Actual: Automobile Showroom Restriction: Commercial	Leased until July 19, 2014	Leased Land

APPENDIX V

STATUTORY AND GENERAL INFORMATION

No.	Owner/Lessee	Property Name, Address and Use	Approximate Area (m ²)		Actual Use and Restrictions on Use	Owned or Leased (Lease Term)	Method of Acquisition of Land Use Right/ Expiry Date of Land Use Right of Owned Land
			Land	Building			
14	Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd. (陝西新豐泰駿美汽車銷售服務有限公司) ⁽⁵⁾	An automobile showroom for Ferrari/Maserati located at west Peony Manor of South Fenghui Road, Lianhu District, Xi'an, Shaanxi Province, PRC (中國陝西省西安市蓮湖區豐惠南路北段西側牡丹莊園一層之法拉利、瑪莎拉蒂展廳)	—	931	Actual: Automobile Showroom Restriction: Commercial	Leased until June 20, 2022	Leased Land
15	Yan'an Sunfonda Boao Automobile Co., Ltd. (延安新豐泰博奧汽車有限責任公司) ⁽⁶⁾	A 4S shop of Audi located at Ershilipu of Baota District, Yanan, Shaanxi Province, PRC (中國陝西省延安市寶塔區南二十里鋪之奧迪4S店)	—	12,000	Actual: 4S dealership store Restriction: Collective Land	Leased until September 1, 2021	Leased Land
16	Lanzhou Sunfonda Automobile Sales Co., Ltd. (蘭州新豐泰汽車銷售有限責任公司)	A 4S shop of Porsche located at No. 88 of West Binhe Road of Annign District, Lanzhou, Gansu Province, PRC (中國甘肅省蘭州市安寧區北濱河西路88號之保時捷4S店)	17,071	1,424	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until June 18, 2052
17	Suzhou Sunfonda Automobile Sales Services Co., Ltd. (蘇州新豐泰汽車銷售服務有限責任公司) ⁽³⁾	A 4S shop of Volkswagen Imported located at No. 21 of Shuangyu Road, Suzhou, Jiangsu Province, PRC (中國江蘇省蘇州工業園區雙圩路21號之進口大眾4S店)	9,654	7,639	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until October 12, 2051
18	Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd. (西安新豐泰紅旗汽車銷售服務有限公司) ⁽⁵⁾	An automobile showroom for Hongqi located at No. 1688 Ouya 1st Road, Xi'an Chanba Ecological Zone, Xi'an, Shaanxi Province, PRC (陝西省西安市滻灞生態區歐亞一路1688號之紅旗展廳)	—	230	Actual: Automobile Showroom Restriction: Commercial	Leased until April 25, 2018	Leased Land
19	Ordos Sunfonda Kaisheng Automobile Co., Ltd. (鄂爾多斯市新豐泰凱盛汽車有限責任公司) ⁽³⁾	A 4S shop of Cadillac located at south of Tianjun Main Road and north of Anjun South Road, Tongchuan Town, Dongsheng District, Ordos, Inner Mongolian Autonomous Region, PRC (中國內蒙古鄂爾多斯市東勝區銅川鎮銅川汽車博覽園天駿大道南、安居南路北、振興街西、振興西街東之凱迪拉克4S店)	5,884	3,996	Actual: 4S dealership store Restriction: Wholesale and retail	Owned	Land Grant until March 8, 2051
20	Wuxi Sunfonda Dehui Automobile Sales Services Co., Ltd. (無錫新豐泰德輝汽車銷售服務有限公司)	A Volkswagen imported automobile showroom located at No. 600, Beitang Road and Xingyuan North Road, Wuxi, Jiangsu Province, PRC (中國江蘇省無錫市北塘路興源北路600號之大眾進口展廳)	—	510	Actual: Automobile Showroom Restriction: Commercial	Leased until January 31, 2018	Leased Land

No.	Owner/Lessee	Property Name, Address and Use	Approximate Area (m ²)		Actual Use and Restrictions on Use	Owned or Leased (Lease Term)	Method of Acquisition of Land Use Right/ Expiry Date of Land Use Right of Owned Land
			Land	Building			
21	Xi'an Sunfonda Star Automobile Sales Services Co., Ltd. (西安新豐泰之星汽車銷售服務有限公司) ⁽³⁾	A 4S shop of Mercedes-Benz at Room 10101, Unit 1, Building No. 1, No. 2399, West of Ouya Avenue, Chanba Ecological Zone, Xi'an, Shaanxi Province, PRC (中國陝西省西安產溝生態區歐亞大道西段2399號1幢1單元10101室)	13,155	23,913	Actual: 4S dealership store Restriction: Commercial	Owned	Land Grant until November 12, 2049
22	Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限公司)	An automobile showroom for Porsche located at No. 154, West of South 2nd Ring Road, Yanta District, Xi'an, Shaanxi Province, PRC (中國陝西省西安市雁塔區二環南路西段154號)	—	513	Actual: Automobile Showroom Restriction: Commercial	Owned	Land Grant until September 29, 2078
23	Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限公司) ⁽⁵⁾	A 4S shop of Porsche located at the cross of National Road 109 and East Yongsheng Road, Desheng Industrial Zone, Yinchuan, Ningxia Province, PRC (中國寧夏銀川市德勝工業園區109國道與永勝東路路口)	—	4,500	Actual: 4S dealership store Restriction: Commercial	Leased	Leased Land
24	Shanxi Sunfonda Junmei Automobile Sales Co., Ltd. (山西新豐泰駿美汽車銷售服務有限公司)	A 4S shop of Maserati located at Room 10-12, Changfeng Automobile Trade City, No.20, West of Changfeng Avenue, Xiaodian District, Taiyuan, Shanxi Province, PRC (中國山西省太原市小店區長風西大街20號長風汽貿城10-12)	—	1,046.25	Actual: 4S dealership store Restriction: Commercial	Leased	Leased Land
25	Shanxi Sunfonda Junmei Automobile Sales Co., Ltd. (山西新豐泰駿美汽車銷售服務有限公司) ⁽⁴⁾	An automobile showroom for Maserati located at No.1, Torch Venture Building, the Southeast corner of Central Street and Changzhi Road, Taiyuan, Shanxi Province, PRC (中國山西省太原市南中環街與長治路東南角火炬創業大廈1號)	—	1,306	Actual: Automobile Showroom Restriction: Commercial	Leased	Leased Land
26	Ningxia Sunfonda Junmei Automobile Sales Co., Ltd. (寧夏新豐泰駿美汽車銷售服務有限公司)	A 4S shop of Maserati located at the Northwest cross corner of 109 State Road and West Yongsheng Road, Desheng Industrial Park, Yinchuan, Ningxia Province, PRC (中國寧夏銀川市德勝工業園區109國道永勝西路十字西北角)	—	5,767.56	Actual: 4S dealership store Restriction: Commercial	Leased	Leased Land

Notes:

- (1) We have not obtained the building ownership certificate for an ancillary building with a gross floor area of approximately 1,500 square meters. The land use rights and the property have been pledged.
- (2) The actual use of land is not in compliance with its designated usage.
- (3) The land use rights and the property have been pledged.
- (4) The lessor has not obtained the building ownership certificate.
- (5) The land is State-owned allocated land.
- (6) The land is collectively-owned land.

None of the above material properties is related to property activities (as defined in the Chapter 5 of the Hong Kong Listing Rules). To the best of our knowledge and belief, except as otherwise disclosed in the above table and/or notes, none of our material properties have:

- third-party rights such as encumbrances, liens, pledges or mortgages;
- restrictions on its use or conflicts with its actual use;
- environmental violation issues;
- investigations, notices, pending litigations, breaches of law or title defects;
- plans for construction, renovation, improvement or development;
- plans to dispose of or change the use; or
- any other information considered material for investors to enable them to make a properly informed assessment on the properties of our Company.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive officer of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

So far as our Directors are aware, immediately following completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised, and (ii) no option granted under the Share Option Scheme is exercised), the interests and short positions of our Directors and chief executive officer of our Company in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein once the Shares are listed, are as follows:

Name of Director/ chief executive officer	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after completion of the Global Offering ⁽²⁾
Mr. Wu	Deemed Interest, interest of controlled company ⁽³⁾⁽⁵⁾	360,000,000 ^(L)	60%
Ms. Chiu.....	Deemed Interest, interest of controlled company ⁽⁴⁾⁽⁵⁾	360,000,000 ^(L)	60%
Mr. Jia Ruobing ⁽⁶⁾	Personal interest	200,000 ^(L)	0.03%
Ms. You Jia ⁽⁷⁾	Personal interest	200,000 ^(L)	0.03%

Notes:

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

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

(3) Mr. Wu holds the entire issued share capital of Golden Speed and Golden Speed holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu, through her wholly owned investment company, Win Force. Under the SFO, Mr. Wu and Golden Speed are deemed to be interested in the 351,000,000 Shares held by Top Wheel.

(4) Ms. Chiu holds the entire issued share capital of Win Force and Win Force holds 30% of the issued share capital of Top Wheel. The remaining 70% of the issued share capital of Top Wheel is indirectly held by her husband, Mr. Wu, through his wholly owned investment company, Golden Speed. Under the SFO, Ms. Chiu and Win Force are deemed to be interested in the 351,000,000 Shares held by Top Wheel.

(5) The Management Trust holds 100% issued share capital of Westernrobust, thus the Management Trust is deemed to be interested in the 9,000,000 Shares held by Westernrobust. Top Wheel is the settler of the Management Trust and possesses all voting rights attached to the unawarded Shares and awarded Shares which have not vested under the

Management Trust. The beneficiaries of the Management Trust include certain selected employees of our Group. Therefore, Mr. Wu and Ms. Chiu, as the ultimate shareholders of Top Wheel, are deemed to be interested in the 9,000,000 Shares held by Westernrobust immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

- (6) 200,000 Awarded Shares (as defined below) will be granted to Mr. Jia Ruobing pursuant to the Pre-IPO Share Award Scheme after the date of the prospectus but before the Listing.
- (7) 200,000 Awarded Shares will be granted to Ms. You Jia pursuant to the Pre-IPO Share Award Scheme after the date of the prospectus but before the Listing.

(b) Interests and short positions of the substantial shareholders in the Shares and Underlying Shares of Our Company

So far as our Directors are aware, assuming no exercise of the Over-allotment Option, the following persons will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after completion of the Global Offering ⁽²⁾
Mr. Wu	Deemed interest, interest of controlled company ⁽³⁾⁽⁵⁾	360,000,000 ^(L)	60%
Golden Speed	Deemed interest, interest of controlled company ⁽³⁾⁽⁵⁾	360,000,000 ^(L)	60%
Ms. Chiu	Deemed interest, interest of controlled company ⁽⁴⁾⁽⁵⁾	360,000,000 ^(L)	60%
Win Force	Deemed interest, interest of controlled company ⁽⁴⁾⁽⁵⁾	360,000,000 ^(L)	60%
Top Wheel	Beneficial owner, deemed interest, interest of controlled company ⁽⁵⁾	360,000,000 ^(L)	60%
Standard Chartered Private Equity	Beneficial owner	90,000,000 ^(L)	15%
Standard Chartered PLC	Deemed interest, interest of controlled company ⁽⁶⁾	90,000,000 ^(L)	15%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Assuming the Over-allotment Option is not exercised.
- (3) Mr. Wu holds the entire issued share capital of Golden Speed and Golden Speed holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu, through her wholly owned investment company, Win Force. Under the SFO, Mr. Wu and Golden Speed are deemed to be interested in the 351,000,000 Shares held by Top Wheel.
- (4) Ms. Chiu holds the entire issued share capital of Win Force and Win Force holds 30% of the issued share capital of Top Wheel. The remaining 70% of the issued share capital of Top Wheel is indirectly held by her husband, Mr. Wu, through his wholly owned investment company, Golden Speed. Under the SFO, Ms. Chiu and Win Force are deemed to be interested in the 351,000,000 Shares held by Top Wheel.

- (5) The Management Trust holds 100% issued share capital of Westernrobust, thus the Management Trust is deemed to be interested in the 9,000,000 Shares held by Westernrobust. Top Wheel is the settler of the Management Trust and possesses all voting rights attached to the unawarded Shares and awarded Shares which have not vested under the Management Trust. The beneficiaries of the Management Trust include certain selected employees of our Group. Therefore, Mr. Wu, Golden Speed, Ms. Chiu, Win Force and Top Wheel are deemed to be interested in the 9,000,000 Shares held by Westernrobust as disclosed above immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (6) Standard Chartered PLC, a bank listed on the stock exchange of London, Hong Kong and Mumbai, indirectly holds the entire issued share capital of Standard Chartered Private Equity through a series of wholly owned subsidiaries, Standard Chartered Holdings Limited, Standard Chartered Bank, SCMB Overseas Limited, Standard Chartered Holdings (International) B.V., Standard Chartered MB Holdings B.V., Standard Chartered Asia Limited and Standard Chartered Private Equity Limited, and is therefore deemed to be interested in the Shares held by Standard Chartered Private Equity.

(c) *Interests of the substantial shareholder of any member of our Group (other than our Company)*

So far as our Directors are aware, no person (other than members of our Group) will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Arrangement with our Directors

(a) *Service contracts of our Directors*

Each of our Directors has entered into a service contract or a letter of appointment with our Company on January 18, 2014 with a term of three years commencing from the Listing Date, which may be terminated by not less than three month's prior written notice served by either party.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by our Group within one year without the payment of compensation save statutory compensation).

(b) *Directors' remuneration*

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended December 31, 2011, 2012 and 2013 were approximately RMB1.0 million, RMB1.7 million and RMB1.8 million, respectively.

Under the arrangements in force as at the Latest Practicable Date, the estimated aggregate amount of remuneration payable to, and benefits in kind receivable by, our Directors in respect of the financial year ended December 31, 2014, is estimated to be approximately RMB2.3 million in aggregate.

None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended December 31, 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2013.

(c) Fees or commissions received

Save as disclosed in this prospectus, none of the Directors nor any of the persons whose names are listed in the paragraph titled “Consents” in this Appendix had received any commissions, discounts, agency fees, brokerages, or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

(d) Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying shares and debentures of our Company, or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code, to be notified to our Company and the Hong Kong Stock Exchange, in each case once our Shares are listed;
- (ii) none of our Directors nor any of the parties listed in the paragraph entitled “Consents” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors nor any of the parties listed in the paragraph entitled “Consents” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is unusual in its nature or conditions or significant in relation to the business of our Group;
- (iv) save for the Underwriting Agreements, none of the parties listed in the paragraph entitled “Consents” in this Appendix is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries, or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (v) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special item has been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (vi) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscriptions or agreeing to procure subscriptions of any shares in our Company; and

- (vii) so far as is known to our Directors, none of our Directors or Shareholders who are interested in 5% or more of our issued share capital or their associates has any interest in either our five largest suppliers or five largest customers.

D. PRE-IPO SHARE AWARD SCHEME

We adopted the Pre-IPO Share Award Scheme on January 8, 2014. The principal terms of the scheme is summarized below.

Objective

We adopted the Pre-IPO Share Award Scheme on January 8, 2014 to recognise the contribution of certain of our employees, especially those whom we consider have contributed to the development and growth of our Group, and to align their interests with those of our Shareholders.

Implementation

Pursuant to the Pre-IPO Share Award Scheme, the selected employees of our Group will be awarded Shares representing 2% of the total issued share capital of our Company as at the Latest Practicable Date, equivalent to 1.5% of the issued share capital of our Company after the Listing (on a fully diluted basis assuming no exercise of the Over-allotment Option). A total of 2,250,000 Shares (the “**Awarded Shares**”), representing 0.5% of the total issued share capital of our Company as at the Latest Practicable Date will be granted to certain employees after the date of the prospectus but prior to the Listing.

For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on January 8, 2014 and Cantrust (Far East) Limited acts as the trustee thereof.

Vesting of the Awarded Shares

- The selected employees are not entitled to exercise or enjoy the rights to the Awarded Shares pending the vesting of the Awarded Shares in accordance with the applicable vesting period.
- Vesting period is five years during which the Awarded Shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions. In the event that Listing takes place on a date later than any of the vesting dates, vesting of the Awarded Shares shall be deferred to the Listing Date (in the context of the Pre-IPO Share Award Scheme, shall also be referred to as the vesting date) with the other vesting dates remaining the same. For the avoidance of doubt, cumulative number of Awarded Shares to be vested on the Listing Date shall represent the Awarded Shares which shall have been vested up to and including the Listing Date should the first vesting date and the subsequent vesting dates (if applicable) take place after the Listing Date.
- Vesting period of a selected employee is subject to postponement in the event of unsatisfactory performance of such employee based on his or her annual performance appraisal.

Triggering events for surrender of Awarded Shares

Awarded Shares granted will be deemed to have been surrendered by a selected employee upon the occurrence of any of the following events:

- Termination of employment with or without cause;
- Unsatisfactory performance leading to demotion and failure to satisfy the criteria for re-promotion within one year; or
- Performance appraisal rating at the lowest range for two consecutive years.

Awarded Shares deemed to have been surrendered may be repurchased and cancelled or re-allocated at the discretion of our Company.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of our Share Option Scheme, conditionally adopted by a resolution of our Shareholders passed on January 18, 2014 and a resolution of our Board on January 18, 2014. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose of our Share Option Scheme

The purpose of our Share Option Scheme is to recognize and acknowledge the contributions made by our employees, to attract skilled and experienced personnel, to incentivize them to remain with our Company and to motivate them to strive for the future development and expansion of our Company and its subsidiaries, by providing them with the opportunity to acquire equity interests in our Company.

2. Participants of our Share Option Scheme and the basis of determining the eligibility of the participants

Our Board may from time to time grant options to any individual who is an employee of our Group (including executive Directors) or any entity in which our Company holds any equity interest (the “**Invested Entity**”) and such other persons who has or will contribute to our Company as approved by our Board from time to time (the “**Participants**”) on the basis of their contribution to the development and growth of our Group.

3. Status of our Share Option Scheme**(a) Conditions of our Share Option Scheme**

Our Share Option Scheme shall take effect subject to: (i) the commencement of dealings in our Shares on the Hong Kong Stock Exchange; (ii) the passing of the necessary resolutions to adopt our Share Option Scheme by our Shareholders; (iii) the obligations of the underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise; and (iv) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under our Share Option Scheme (the “**Conditions**”).

(b) Life of our Share Option Scheme

Our Share Option Scheme shall be valid and effective for 10 years from the date on which the last of the Conditions is fulfilled (the “**Scheme Period**”), after which time no further option will be granted but the provisions of our Share Option Scheme shall remain in full force and effect in all other respects. The total number of Shares that may be allotted and issued upon the exercise of all options to be granted under our Share Option Scheme initially must not in aggregate exceed the number of shares in issue (without taking into account shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) as at the Listing Date.

4. Grant of options**(a) Making of an offer**

An offer of the grant of an option shall be made to a Participant by letter (the “**Offer Letter**”) in such form as our Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted (which may include a minimum period for which the option must be held before it can be exercised and a performance target that must be reached before the option can be exercised in whole or in part) and to be bound by the provisions of our Share Option Scheme (including any operational rules made under our Share Option Scheme). The offer shall remain open for acceptance for such time to be determined by our Board provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of our Share Option Scheme.

(b) Acceptance of an offer

An option shall be deemed to have been granted to (subject to certain restrictions in our Share Option Scheme), and accepted by, the Participant (the “**Grantee**”) and to have taken effect after we receive the Offer Letter signed by the Grantee together with a remittance in favour of our Company of HK\$1.00 or the equivalent amount in any currency by way of consideration for the grant of the option on or before the last day for acceptance as defined by our Board. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(c) Restrictions on time of grant

No grant of options shall be made after a price-sensitive event in relation to the securities of our Company has occurred or a price-sensitive matter in relation to the securities of our Company has been the subject of a decision, until the price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

- (i) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company’s results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all our independent non-executive Directors (excluding any independent non-executive Director who is a proposed Grantee of the options).

(e) Grant to substantial shareholders and independent non-executive Directors

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by our Shareholders in general meeting if our Shares issued and to be issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the proposed date of such grant:

- (i) would represent in aggregate more than 0.1% of our Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (e), all connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

5. Subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Subscription Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by our Board in its sole and absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the option is offered (the “**Offer Date**”);
- (ii) the average of the closing prices of our Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the par value of our Shares,

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which our Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

6. Maximum number of Shares available for subscription**(a) Scheme Mandate**

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under our Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of Shares in issue (without taking into account shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) as of the Listing Date (the “**Scheme Mandate**”) being 60,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the 10% limit.

(b) Renewal of Scheme Mandate

Our Company may seek approval by our Shareholders in general meeting for renewing or increasing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under our Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders’ approval. Options previously granted under our Share Option Scheme and any other Share Option Schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of Options beyond Scheme Mandate

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval in sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to Options

Notwithstanding anything to the contrary in our Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under our Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Participant must be fixed before our Shareholders' approval. The date of the Board meeting for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) Adjustment

The number of Shares subject to the options issued pursuant to our Share Option Scheme may be adjusted in such manner as our Company's independent financial adviser or auditor (acting as expert and not as arbitrator) shall certify in writing to our Board to be in its opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

7. Reorganization of capital structure***(a) Adjustment of options***

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) to:

- (i) the number of Shares subject to the option so far as unexercised;
- (ii) the Subscription Price; or
- (iii) the number of Shares subject to our Share Option Scheme;

that are required to give each Grantee the same proportion of share capital as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to Share Option Schemes), but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustments to the Subscription Price and number of Shares should be made to the advantage of the Participants without specific prior approval of our Shareholders.

(b) Auditors/independent financial adviser confirmation

On any capital reorganization other than a capitalization issue, the auditors or an independent financial adviser shall certify in writing to our Board that the adjustments made by our Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

8. Cancellation of options

Subject to the consent from the relevant Grantee, our Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of our Share Option Scheme.

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable.

10. Options attached to our Shares

Our Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles of Association and will rank pari passu with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the “**Registration Date**”). Accordingly our Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee shall have no rights as Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

11. Exercise of options***(a) General***

The period during which an option may be exercised in accordance with the terms of our Share Option Scheme (the “**Option Period**”) shall be the period of time to be notified by our Board to each Grantee, which our Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the Offer Date.

(b) Rights of Grantee upon his retirement or death

If the Grantee ceases to be a Participant by reason of retirement, death or disability, the option shall vest immediately at the date of cessation and the Grantee or his legal personal

representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as our Board may determine) to exercise the option (to the extent not already exercised).

(c) Rights of Grantee upon his cessation of employment under certain circumstances

If the Grantee ceases to be a Participant for any reason other than his retirement or death or disability or termination of his employment on one or more of the grounds specified in sub-paragraph 12(iv) below or the termination of his business relation with the relevant member of our Group, the Grantee may exercise the option up to his or her entitlement at the date of cessation.

(d) Rights on a takeover

In the event a general or partial offer, whether by way of take-over offer, or a take-over by way of a scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror and the take-over offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the option (to the extent not already exercised), within one month from the date the take-over offer is declared unconditional.

(e) Rights on a voluntary winding up

In the event of a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this sub-paragraph 11(e)). Upon receipt of such notice, each Grantee (or where permitted under sub-paragraph 11(b) his legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for our Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(f) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to our Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with our Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. Lapse of options

An option where vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(a) to (f) above;
- (iii) in respect of a Grantee (being a Director or employee of our Group or Invested Entity) who ceases to be engaged by our Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(iv) below, the last date on which such Grantee was at work with our Group or the Invested Entity (whether salary is paid in lieu of notice or not);
- (iv) the date on which the Grantee (being a Director or employee of our Group or Invested Entity) ceases to be a Participant by reason of the termination of his employment on any one or more of the following grounds:
 - (a) that he has been guilty of misconduct; or
 - (b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
 - (c) that he has been convicted of a criminal offence involving his integrity or honesty; or
 - (d) any misconduct based on the sole and absolute option of our Company; or
 - (e) and a resolution of our Board or our Board of Directors of the relevant subsidiary of our Company to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(iv) shall be conclusive;
- (v) in the event of the Grantee not being a Director or employee of our Group or Invested Entity, the date on which our Board in its sole and absolute discretion resolves that

such Grantee ceases to be qualified as a Participant by reason of termination of its business relations with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as our Board considers appropriate;

- (vi) the date on which the Grantee commits a breach of paragraph 9 above;
- (vii) if an option is granted subject to certain conditions, restrictions or limitations, the date on which our Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitations; and
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

13. Amendment of our Share Option Scheme

The specific provisions of our Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of our Board in relation to any alteration of the terms of our Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of our Share Option Scheme which are of material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where alterations take effect automatically under the existing terms of our Share Option Scheme. Our Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

14. Termination

Our Company may at any time terminate the operation of our Share Option Scheme by resolution of our Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of our Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of our Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of our Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under our Share Option Scheme.

F. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of each member of our Company (being the contract referred to in paragraph (w) of the section entitled “Further Information About Our Business — Summary of Material Contracts” above) to irrevocably provide indemnities on a joint and several basis in respect of, among other matters, estate duty, taxation resulting from income, profits or gains earned, accrued or received as well as any claims relating to the non-compliance incidents and property title defects of any member of our Group which may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

3. Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

4. Litigation

As at the Latest Practicable Date, no member of our Group was 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 against any member of our Group.

5. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted pursuant to the Share Option Scheme).

6. Sponsor's Fees

Our Company agreed to pay the Sole Sponsor a fee of US\$800,000 as the sponsor to our Company for the Global Offering (the **"Sponsor Fee"**). The Sponsor Fee relates solely to services provided by the Sole Sponsor in the capacity of a sponsor, and not other services which it may provide, such as (without limitation) bookbuilding, pricing and underwriting. Our Company further agrees that (i) its responsibility for the Sponsor Fee hereunder is not contingent on the success or the final size of the Offering; and (ii) any termination of this agreement with the Sole Sponsor will not affect any accrued rights or obligations of both parties, including the payment of the Sponsor Fee.

The Sponsor Fee will be payable by us in accordance with the following timetable:

- (i) 50% of the Sponsor Fee plus all accrued out-of-pocket expenses will be paid within 30 days of the submission of the listing application; and
- (ii) 50% of the Sponsor Fee plus all accrued out-of-pocket expenses will be paid within 30 days after the listing hearing.

Upon completion of the Global Offering, an amount equal to the Sponsor Fee already paid to the Sole Sponsor shall be credited against the underwriting commissions pursuant to the Underwriting agreements.

7. Preliminary Expenses

Our estimated preliminary expenses are approximately US\$70,000. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

8. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Qualifications of Experts

The qualifications of the experts who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
J.P. Morgan Securities (Far East) Limited	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
King & Wood Mallesons	PRC legal advisor
Maples and Calder	Cayman Islands attorneys-at-law
Beijing Moores Rowland Certified Public Accountants ("Moores Rowland")	Internal Control Consultant
All China Marketing Research Co., Ltd.	Independent Industry Consultant

10. Consents

Each of J.P. Morgan Securities (Far East) Limited, Ernst & Young, King & Wood Mallesons, Maples and Calder, Moores Rowland and All China Marketing Research Co., Ltd. has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinion and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Reserves Available for Distribution

As at December 31, 2013, our Company has no available reserves for distribution to our Shareholders.

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2013 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (d) The Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.

14. Bilingual prospectus

The English language and Chinese language version of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

15. Property Valuation Report

Our Company has not obtained a valuation report in respect of its property interests in reliance upon the exemption provided by section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and Chapter 5 of the Listing Rules.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **White**, **Yellow** and **Green** Application Forms;
- (b) copies of each of the material contracts referred to in the section headed “Statutory and General Information — Further Information about Our Business” in Appendix V to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents” in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Clifford Chance at 27th Floor, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association of the Company;
- (b) the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report in relation to unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the PRC legal opinions issued by King & Wood Mallesons, the PRC legal advisor of the Company, in respect of our general matters and property interests of our Group;
- (e) the Cayman Companies Law;
- (f) the letter prepared by Maples and Calder, the Cayman Islands legal advisor of the Company, summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;
- (g) the material contracts referred to in the section headed “Statutory and General Information — Further Information about Our Business” in Appendix V to this prospectus;
- (h) the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents” in Appendix V to this prospectus;
- (i) the service contracts or letters of appointment of our Directors;

- (j) the trust deed of the Management Trust;
- (k) the Pre-IPO Share Award Scheme; and
- (l) the Share Option Scheme.



Sunfonda Group Holdings

Sunfonda Group Holdings Limited
新豐泰集團控股有限公司