广汇汽车服务
China Grand Auto

CHINA GRAND AUTOMOTIVE SERVICES CO. LIMITED
廣 匯 汽 車 服 務 股 份 公 司
(a joint stock limited company incorporated in the People's Republic of China)
(SSE Stock Code: 600297)

CHINA GRAND AUTOMOTIVE SERVICES (HONG KONG) LIMITED
廣 匯 汽 車 服 務 （ 香 港 ） 有 限 公 司
(incorporated in Hong Kong with limited liability)

BAOXIN AUTO GROUP LIMITED
寶 信 汽 車 集 團 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1293)

JOINT ANNOUNCEMENT

SSE FINAL MAJOR ASSET RESTRUCTURING REPORT OF CGA

INTRODUCTION

This announcement is made pursuant to Rule 8.1 of the Code, Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under Part XIVA of the SFO).

Reference is made to (i) the joint announcement dated 11 December 2015 issued by CGA, the Offeror and the Company in relation to, among other things, the pre-conditional voluntary cash Partial Offer and Option Offer by CMB International on behalf of the Offeror to acquire a maximum of 75% of the issued share capital of Baoxin Auto Group Limited from Qualifying Shareholders and to cancel a maximum of 75% of the outstanding Share Options (the "**Rule 3.5 Announcement**"); (ii) the joint announcement dated 11 December 2015 issued by CGA, the Offeror and the Company enclosing the draft SSE Report (the "**Joint Announcement**"); and (iii) the voluntary announcement issued by the Company in relation to, among other things, the unaudited consolidated results of the Group for the nine months ended 30 September 2015 (the "**Unaudited Results Announcement**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those used in the Rule 3.5 Announcement.

FINAL SSE REPORT

As noted in the Rule 3.5 Announcement, the Joint Announcement and the Unaudited Results Announcement, pursuant to the relevant rules and regulations of the Shanghai Stock Exchange, CGA is required to publish a final SSE Report following review and comments by the Shanghai Stock Exchange. Attached to this announcement is a copy of the final SSE Report which CGA has released on the website of the Shanghai Stock Exchange (in simplified Chinese) (http://www.sse.com.cn) in compliance with the relevant rules and regulations of the Shanghai Stock Exchange.

For the purposes of the Offers, if there are any inconsistencies between the SSE Report and the Rule 3.5 Announcement, the Rule 3.5 Announcement shall prevail.

The following is a summary of the additional information that is included in the final SSE Report and the responses to the comments raised by the Shanghai Stock Exchange:

Status update of the satisfaction of the Pre-Conditions to the Partial Offer and Option Offer

As disclosed in the section headed "Pre-Conditions to the Partial Offer and Option Offer" in the Rule 3.5 Announcement, the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the Pre-Conditions.

As at the date of this announcement:

- with respect to Pre-Condition (a), a filing was submitted by CGA to MOFCOM under the Anti-Monopoly Law of the PRC on 14 December 2015;
- with respect to Pre-Condition (b), an application has been made by CGA to the NDRC for the necessary foreign investment filing in connection with the Offers;
- with respect to Pre-Condition (c), CGA has given notice for an extraordinary general meeting to be held on 28 December 2015 to consider and, if thought fit, approve the resolutions in connection with the Offers; and
- with respect to Pre-Condition (d), based on the Company's initial discussions with the relevant lenders under the Facility Agreements, the Company considers that there are no substantial impediments to obtain the consents from the relevant lenders.

A further announcement will be issued once the voting results of CGA's extraordinary general meeting is available on 28 December 2015.

WARNING: The Pre-Conditions must be satisfied or, where applicable, waived before the making of the Offers. The making of the Offers is therefore a possibility only. Accordingly, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.

Profit forecast and unaudited financial information

In response to the comments raised by the Shanghai Stock Exchange, the following unaudited financial information of the Group for the nine months ended 30 September 2015 (the "**Unaudited Financial Information**") is disclosed in the final SSE Report:

The sales volume, sales revenue and sales gross profit margin attributable to the Group's major brands:

Unit: RMB0,000

	January to September 2015				January to September 2014			
Brand	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)
BMW	25,608	865,012.4	59.60	3.5%	30,065	1,041,095.4	52.45	4.1%
Land Rover & Jaguar	5,157	336,612.8	23.19	5.6%	10,537	635,309.6	32.01	7.2%
Audi	1,900	54,492.3	3.75	2.2%	2,124	66,578.5	3.35	3.2%
Ferrari/Maserati	433	37,417.9	2.58	3.0%	484	48,255.9	2.43	12.1%
Porsche	339	25,891.0	1.78	6.0%	315	28,124.0	1.42	4.8%
Volvo	1,069	29,252.8	2.02	1.6%	1,226	36,041.3	1.82	1.7%
Buick	3,602	48,765.0	3.36	0.7%	3,880	48,346.6	2.44	0.9%

Unit: RMB0,000

	2014				2013			
Brand	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)
BMW	40,534	1,471,032.8	53.18	4.0%	37,785	1,519,400.3	50.51	5.4%
Land Rover & Jaguar	14,251	888,421.8	32.12	7.0%	12,164	801,992.5	26.66	8.6%
Audi	2,706	85,567.4	3.09	3.2%	2,939	98,833.6	3.29	0.6%
Ferrari/Maserati	642	67,206.5	2.43	11.2%	141	21,618.7	0.72	12.9%
Porsche	425	35,598.0	1.29	4.5%	439	42,580.1	1.42	8.0%
Volvo	1,695	48,346.5	1.75	1.6%	1,604	48,068.7	1.60	3.6%
Buick	5,002	63,514.9	2.30	1.0%	4,692	59,421.9	1.98	1.4%

The sales revenue and sales gross profit margin in relation to "other items" in the Group's revenues (which mainly relate to after sales repair revenue) attributable to the Group's major brands:

Unit: RMB0,000

Item	January to September 2015			January to September 2014		
	Sales revenue	Revenue percentage	Sales gross profit margin	Sales revenue	Revenue percentage	Sales gross profit margin
BMW	148,112.5	71.25%	47.9%	142,708.8	64.41%	47.8%
Land Rover & Jaguar	31,521.8	15.16%	47.9%	42,714.3	19.28%	56.7%
Audi	10,859.4	5.22%	36.1%	13,990.6	6.31%	27.5%
Ferrari/Maserati	1,704.0	0.82%	30.9%	1,054.3	0.48%	53.9%
Porsche	1,733.0	0.83%	45.5%	1,508.8	0.68%	48.0%
Volvo	2,995.1	1.44%	36.0%	2,926.1	1.32%	49.2%
Buick	4,054.3	1.95%	44.2%	4,089.2	1.85%	52.3%

Item	2014			2013		
	Sales revenue	Revenue percentage	Sales gross profit margin	Sales revenue	Revenue percentage	Sales gross profit margin
BMW	200,644.2	65.58%	47.2%	180,650.0	66.82%	46.8%
Land Rover & Jaguar	57,220.6	18.70%	55.9%	37,442.3	13.85%	57.5%
Audi	17,933.3	5.86%	27.0%	21,841.1	8.08%	41.4%
Ferrari/Maserati	1,806.4	0.59%	53.7%	155.9	0.06%	79.0%
Porsche	2,042.3	0.67%	45.0%	1,998.3	0.74%	41.0%
Volvo	4,131.5	1.35%	46.7%	3,299.2	1.22%	45.9%
Buick	6,143.4	2.01%	51.4%	5,657.6	2.09%	44.2%

The Group's average selling price per vehicle for the years 2013 and 2014 and the nine months ended 30 September 2015:

Unit: RMB0,000

Average selling price per vehicle for different brands	January to September 2015	2014	2013
BMW	33.78	36.29	40.21
Land Rover & Jaguar	65.27	62.34	65.93
Other luxury brands	38.35	42.54	41.04
Mid-to-high-end brands	13.16	12.76	13.31
Total	34.63	38.05	39.19

The Group's vehicle sales volume for the years 2013 and 2014 and the nine months ended 30 September 2015:

Sales volume for different brands	January to September 2015	2014	2013
BMW	25,608	40,534	37,785
Land Rover & Jaguar	5,157	14,251	12,164
Other luxury brands	4,088	5,982	5,462
Mid-to-high-end brands	7,054	11,942	14,441
Total	41,907	72,709	69,852

The Group's vehicle gross profit margin for the years 2013 and 2014 and the nine months ended 30 September 2015:

Vehicle gross profit margin for different brands	January to September 2015	2014	2013
BMW	3.5%	4.0%	5.4%
Land Rover & Jaguar	5.6%	7.0%	8.6%
Other luxury brands	2.7%	4.6%	4.3%
Mid-to-high-end brands	-0.3%	0.7%	1.5%
Total	3.7%	4.8%	6.0%

The Group's vehicle gross profit for the years 2013 and 2014 and the nine months ended 30 September 2015:

Unit: RMB0,000

Vehicle gross profit/(loss) for different brands	January to September 2015	2014	2013
BMW	30,101.06	58,967.90	81,645.60
Land Rover & Jaguar	18,983.80	61,939.00	69,297.70
Other luxury brands	4,287.00	11,823.40	9,712.10
Mid-to-high-end brands	-298.40	1,137.60	2,845.60
Total	53,073.46	133,867.90	163,501.00

The Group's revenue for after sales business for the years 2013 and 2014 and the nine months ended 30 September 2015 are approximately RMB2,703,473,000, RMB3,059,534,000 and RMB2,078,641,000 respectively, with gross profit being RMB1,285,383,000, RMB1,448,073,000 and RMB959,537,000 respectively. As the profit margin in respect of the after sales business is relatively high, the decrease in revenue and profit margin in respect of the after sales business has certain adverse impact on the Group's profits.

The Unaudited Financial Information constitutes a profit forecast under Rule 10 of the Code. As such, the Company is required to comply with the requirements under Rule 10 of the Code with respect to the Unaudited Financial Information which has to be reported on by the Company's financial adviser and its auditor or accountant. However, given the time constraints faced by the Company when issuing this announcement, the Unaudited Financial Information did not meet the standard required by Rule 10 of the Code. The Unaudited Financial Information will be separately reported on by the Company's financial adviser and its auditor or accountant as soon as possible but in any event the relevant reports will be included in the next document sent to Shareholders by the Company.

Shareholders and potential investors should note that the Unaudited Financial Information have not been reported on in accordance with the requirements under Rule 10 of the Code. Shareholders and potential investors should therefore exercise caution in placing reliance on the Unaudited Financial Information in assessing the merits and demerits of any possible offers. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

WARNING: AS THE MAKING OF THE PARTIAL OFFER AND THE OPTION OFFER IS SUBJECT TO THE SATISFACTION OR, WHERE APPLICABLE, WAIVER OF THE PRE-CONDITIONS, THE PARTIAL OFFER AND THE OPTION OFFER ARE A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE. IT DEPENDS ON THE SATISFACTION OR, WHERE APPLICABLE, WAIVER OF THE PRE-CONDITIONS.

CLOSING OF THE PARTIAL OFFER AND THE OPTION OFFER IS SUBJECT TO THE CONDITION BEING FULFILLED AND THE OFFERS BECOMING UNCONDITIONAL. ACCORDINGLY, THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE PARTIAL OFFER AND THE OPTION OFFER WILL BECOME UNCONDITIONAL AND BE CLOSED.

SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISORS.

By order of the board of **China Grand Automotive Services Co., Ltd** **LI Jianping** *Chairman*	By order of the board of **China Grand Automotive Services (Hong Kong) Limited** **WANG Ben** *Director*	By order of the Board of **Baoxin Auto Group Limited** **YANG Aihua** *Chairman*

The PRC, 22 December 2015

As at the date of this Announcement, the director of the Offeror is Mr. WANG Ben.

As at the date of this Announcement, the directors of CGA are Mr. LI Jianping, Mr. MENG Zhipeng, Mr. TANG Yongqi, Mr. KONG Lingjiang, Mr. XUE Weidong and Mr. SHANG Yong, and the independent directors of CGA are Mr. SHEN Jinjun, Mr. CHENG Xiaoming and Mr. JIN Qinglu.

As at the date of this Announcement, the executive Directors are Mr. YANG Aihua, Mr. YANG Hansong, Mr. YANG Zehua, Ms. HUA Xiuzhen and Mr. ZHAO Hongliang, the non-executive Director is Mr. LU Linkui, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.

The directors of the Offeror and CGA jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to the Group or any of its associates or any parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to the CGA Group, the Offeror or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by the directors of CGA and the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading.

Stock Code: 600297   Stock Short Name: CGA   Place of Listing: Shanghai Stock Exchange

CHINA GRAND AUTOMOTIVE SERVICES, CO., LTD

MAJOR ASSET ACQUISITION REPORT

(AMENDMENT)

Name of Listed Company:	**China Grand Automotive Services, Co., Ltd**
Place of Listing:	**Shanghai Stock Exchange**
Stock Short Name:	**CGA**
Stock Code:	**600297**

Major Counterparties	Domicile
Baoxin Investment Management Ltd.	Kingston Chambers, P.O. Box 173, Road Town, British Virgin Islands
Auspicious Splendid Global Investments Limited	Corporate Registrations Limited, Sea Meadow House, Blackbume Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands
Jumbo Create Investment Development Limited	Corporate Registrations Limited, Sea Meadow House, Blackbume Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands
Wilfred Speedy Investment Development Limited	Corporate Registrations Limited, Sea Meadow House, Blackbume Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands
Schroders Plc	31 Gresham Street, London, EC2V 7QA , United Kingdom

西南证券 SOUTHWEST SECURITIES   中信建投证券 CHINA SECURITIES

December 2015

STATEMENT OF THE COMPANY

The Company and all of its directors, supervisors and the members of senior management hereby warrant the truthfulness, accuracy and completeness of the Report and its summary, and undertake joint and several liabilities for any false information, misleading statements, or any material omissions in the Report and its summary.

The Company and all of its directors, supervisors and the members of the senior management hereby warrant that the information disclosure and application documents in relation to the Restructuring do not contain any false information, misleading statements or material omission. In the case that any judicial authority or the CSRC initiates investigation against the Transaction for any suspected false information, misleading statements, or material omissions in the information provided or disclosed in relation to the Transaction, the Company shall suspend the transfer of the shares of CGA held by each of the directors, supervisors and members of the senior management of the Company until a clear conclusion of such investigation is made.

No decision or opinion made or issued by the CSRC and other government authorities in respect of the Transaction shall in substance represent any judgment or guarantee of them in respect of the value of the shares of the Company or the return to investors. Any representation to the contrary shall be a false statement.

According to relevant laws and regulations such as the Securities Law, it is the responsibility of the Company to bear any change in operation and income subsequent to completion of the Transaction and the investors themselves shall be responsible for the investment risks.

If investors are in any doubt as to any aspect of this Report and its summary, they shall consult their licensed securities dealers, solicitors, professional accountants or other professional advisers.

Where there is any inconsistency between the Chinese version of this Report and its English translation, the Chinese version shall prevail.

STATEMENT OF THE COUNTERPARTIES

The Transaction represents an offer made in the open market. Mr. Yang Aihua, being the current de facto controller of Baoxin Auto, and Baoxin Investment and Auspicious Splendid, being companies controlled by him, have undertaken to accept the Partial Offer in relation to all shares of Baoxin Auto owned by them. Meanwhile, amongst all parties involved in this Transaction, Baoxin Investment, Auspicious Splendid, Jumbo Create Investment and Wilfred Speedy Investment, all being substantial related shareholders, hereby undertake as follows:

They warrant that the relevant information provided by them in connection with the Transaction is true, accurate and complete, and is free from any misrepresentation, misleading statements or material omissions, and will accept joint and several liabilities for the truthfulness, accuracy and completeness of such information.

EXPLANATIONS ON AMENDMENTS

The Company supplements and amends this report in accordance with the requirements as set forth under the "Shanghai Stock Exchange's Information Disclosure Inquiry into China Grand Automotive Services, Co., Ltd- Major Asset Acquisition Report" (Shang Zheng Gong Han [2015] No. 2029), the main contents of which are set forth as follows:

1. For "(I) Risk of Cancellation or Failure of the Transaction" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Material Risks" and "(I) Risk of Cancellation or Failure of the Transaction" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Risk Factors" as set forth in this report, supplemental disclosure is made regarding risks relating to the failure of the Transaction.

2. For "(III) Risk of failure to obtain third-party consents in connection with the Transaction" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Material Risks" and "(III) Risk of failure to obtain third-party consents in connection with the Transaction" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Section XII Risk Factors" as set forth in this report, the Company proposes to adopt countermeasures for supplemental disclosure regarding the consent to be obtained for the Transaction and the consent already obtained from automobile dealers and their relevant debtors and the percentage of debts over total debts; the payment capacities and fundraising methods of the Target Company in case of early repayments; and failure to grant consent to the Transaction.

3. For the section headed "Section VII Analysis of the Board of The Pricing Basis of This Transaction and Its Fairness and Reasonableness" as set forth in this report, supplemental disclosure is made to the fairness of the consideration of the Acquisition and the possibilities to prejudice the minority interests.

4. For "(VI) Risk of Goodwill Impairment" under the subsection headed "II. Risks Relating to the Industry and Businesses of The Target Company" under the section headed "Material Risks" and "(VI) Risk of Goodwill Impairment" under the subsection headed "II. Risks Relating to the Industry and Businesses of the Target Company" under the section headed "Section XII Risk Factors" as set forth in this report, supplemental disclosure is made regarding the specific amount of the goodwill derived by CGA from the Transaction.

5. For "(II) Analysis of Profitability" under the subsection headed "III. Analysis of the Operations of Baoxin Auto" under the section headed "Section VIII Management Discussion and Analysis", "(VIII) The risks that the performance of the Target Company would decline" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Material Risks", and "(VIII) The risks that the performance of the Target Company would decline" under the subsection headed "I. Risks Relating to the Transaction" under the section headed "Section XII Risk Factors" as set forth in this report, supplemental disclosure is made regarding the reasons why the Target Company's performance would decline, and warnings related to risk exposure is made.

6. For "(II) Analysis of Profitability" under the subsection headed "III. Analysis of the Operations of Baoxin Auto" under the section headed "Section VIII Management Discussion and Analysis" as set forth in this report, supplemental disclosure is made regarding the reasons for strategic adjustments to short-term operations of the Target Company and subsequent arrangement, and effects by such strategic adjustments for these operations on the future sales income and profits of Auto Baoxin.

7. For "(III) Sales of major products" under the subsection headed "V. Information on Principal Activities" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report, supplemental disclosure is made regarding the sales volume, the market shares, sales income, sales profit margins, and period-to-period changes of varied brands of the Target Company by brand; and detailed disclosure is made regarding specific contents, percentage of sales income, sales profit margins, and period-to-period changes of "other items".

8. For "(I) Analysis of financial condition" under the subsection headed "III. Analysis of the Operations of Baoxin Auto" under the section headed "Section VIII Management Discussion and Analysis" as set forth in this report, supplemental disclosure is made regarding the reasons of goodwill of the Target Company and the indications of impairment by the end of the period.

9. For "(I) Connected transactions of Baoxin Auto" under the subsection headed "II. Connected Transactions" under the section headed "Section X Business Competition and Connected Transactions" as set forth in this report, supplemental disclosure is made regarding repayment arrangement for capital lending of the related parties of the Target Company.

10. For "(V) Material disputes arising from litigation, arbitration or juridical enforcement or other situations that would obstruct the transfer of title" under the subsection headed "VI. Ownership of Major Assets, External Guarantee and Liabilities" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report,

supplemental disclosure is made regarding whether liabilities provision is made for the Target Company's compensation obligations arising from litigations and possibilities of subsequent compensation obligations.

11. For "5. Qualifications for principal operations" to "(I) Major Assets of the Target Company in Mainland China" under the subsection headed "VI. Ownership of Major Assets, External Guarantee and Liabilities" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report, supplemental disclosure is made regarding compensation obligations for administrative penalties imposed by competent government authorities against six subsidiaries of the Target Company with respect to their failure to renew or obtain the relevant permits and their countermeasures to be adopted.

12. For "(II) Analysis of Profitability" under the subsection headed "III. Analysis of the Operations of Baoxin Auto" under the section headed "Section VIII Management Discussion and Analysis" as set forth in this report, supplemental disclosure is made regarding specific reasons for exchange differences arising from the financial statements of the Target Company for the period from January to September 2015.

13. For "(I) Asset acquisition and disposal within the recent twelve months" under the subsection headed "VIII. Acquisition and Disposal of Assets within the Last Twelve Months, Pending Litigations, Occupation of Funds for Non-Operating Purposes and Guarantees Provided for Any Related Parties" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report, supplemental disclosure is made regarding the particulars of the disposal of Extensive Prosperous Investments Limited by the Target Company and the effects on the Transaction.

14. For "1. Properties leased and other tangible assets" to "(II) Major assets of the Target Company Overseas" under the subsection headed "VI. Ownership of Major Assets, External Guarantee and Liabilities" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report, supplemental disclosure is made regarding the main contents, specific purposes, and specific accounting treatments for the aircraft lease agreement of the Target Company.

15. For "1. Properties leased and other tangible assets" to "(II) Major assets of the Target Company Overseas" under the subsection headed "VI. Ownership of Major Assets, External Guarantee and Liabilities" under the section headed "Section IV Basic Information of the Target Assets" as set forth in this report, supplemental disclosure is made regarding whether there is any subsequent leasing plan for overseas leased assets of the Target Company and the countermeasures to be adopted in case of the failure to renew the lease.

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DEFINITION

In this Report, there may be discrepancies between totals and sums of amounts which are due to rounding. Unless otherwise indicated, the followings abbreviations shall have the following meanings:

Company, Listed Company or CGA	China Grand Automotive Services, Co., Ltd (广汇汽车服务股份公司)
Target Company, Baoxin Auto, Baoxin Group or Baoxin Auto Group	Baoxin Auto Group Limited,a company incorporated in the Cayman Islands with limited liability listed on the Hong Kong Stock Exchange with Stock Code 1293;
Offeror or CGA (Hong Kong)	China Grand Automotive Services (Hong Kong) Limited
Guanghui Group or Guanghui Industry Investment Group	Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆广汇实业投资(集团) 有限责任公司)
Guanghui Limited	Guanghui Automotive Services Co., Ltd.(广汇汽车服务有限责任公司)
Autostreets	Autostreets Development Limited (汽车街发展有限公司)
Baoxin Investment	Baoxin Investment Management Ltd, a company incorporated in the British Virgin Islands
Auspicious Splendid	Auspicious Splendid Global Investment Limited, a company incorporated in the British Virgin Islands
Jumbo Create Investment	Jumbo Create Investment Development Limited, a company incorporated in the British Virgin Islands
Wilfred Speedy Investment	Wilfred Speedy Investment Development Limited, a company incorporated in the British Virgin Islands
Qualifying Shareholders	Shareholders of Baoxin Auto, other than the Offeror and parties acting in concert with it
Counterparties	Qualifying Shareholders and Optionholders of Baoxin Auto
Family Trust	A family trust established under a trust deed dated 23 May 2011 and a subsequent trust deed dated 24 August 2011 in respect of the shares in Baoxin Investment with Ms.Yang Chu Yu as the promoter
Family Trust Beneficiaries	Mr. Yang Aihua, together with his children and further issue
Transaction, Offers, Restructuring, Asset Restructuring or Offers	the cash offer made by the Listed Company (through the Offeror) to acquire not more than 75% of the issued shares of Baoxin Auto and the appropriate offer to the Optionholders to cancel up to 75% of the outstanding Share Options of Baoxin Auto
Code	the Hong Kong Code on Takeovers and Mergers
Rule 28.1 of the Code	Rule 28.1 of the Hong Kong Code on Takeovers and Mergers, which reads as follows: "28.1 Executive's consent required. The Executive's consent is required for any partial offer. Consent will normally be granted in the case of an offer (a) which could not result in the offeror and persons acting in concert with it holding 30% or more of the voting rights of a company; or (b) where the offeror and persons acting in concert with it hold more than 50% of the voting rights of a company and the offer is for up to such number of shares as would take the holding of voting rights to not more than 75% of the voting rights of the company, or such higher percentage as the Listing Rules may permit."
Partial Offer	the pre-conditional voluntary cash partial offer by CMB International Capital Limited (the financial adviser to the Offeror) on behalf of the Offeror to the Qualifying Shareholders of Baoxin Auto to acquire a maximum of 1,917,983,571 shares (representing 75% of the issued share capital of Baoxin Auto as at the date of this Report) or such higher number of shares (representing 75% of the shares in issue (including any shares for which a valid notice of exercise has been delivered in respect of a Share Option on or after the date of this Report and on or before the Final Closing Date) as at the Final Closing Date) from the Qualifying Shareholders at the Offer Price and any subsequent revision or extension of such offer
Option Offer	the appropriate offer to be made by the Offeror to the Optionholders of Baoxin Auto to cancel up to 11,662,500 outstanding Share Options (representing 75% of the outstanding Share Options) pursuant to Rule 13 of the Code

Share Options	outstanding options granted by Baoxin Auto pursuant to its share option scheme, where one Share Option represents the right to subscribe for one share of Baoxin Auto with an exercise price of HK$5.724 for each share
Report, or Restructuring Report	the Major Asset Acquisition Report (Draft) of China Grand Automotive Services, Co., Ltd (《广汇汽车服务股份公司重大资产购买报告书（草稿）》)
Joint Announcement, Offers Announcement, or Hong Kong Offers Announcement	the announcement relating to the Offers made by CGA, CGA (Hong Kong) and Baoxin Auto pursuant to Rule 3.5 of the Code and other relevant Hong Kong laws in connection with the Transaction
Irrevocable Undertaking Agreement	the irrevocable undertaking agreement dated December 2015 entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and Offeror
Deed of Non-competition	the deed of non-competition dated December 2015 entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and the Offeror
Irrevocable Undertaking	the irrevocable undertaking dated December 2015 entered into between Guanghui Group and Baoxin Auto
Earnest Money Agreement	the earnest money agreement dated 13 September 2015 entered into between CGA and Baoxin Auto
Composite Document	the composite offer and response document to be issued, subject to the satisfaction or, where applicable, waiver of the pre-conditions, by or on behalf of the Offeror and Baoxin Auto to all Qualifying Shareholders and Optionholders in accordance with the Code containing, among other things, details of the Offers and the acceptance and transfer forms in respect of the Offers, as may be revised or supplemented as appropriate
Executive	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
Facility Agreements	collectively, (i) the facility agreement in respect of a US$120,000,000 term loan facility dated 22 June 2015 between Baoxin Auto (as borrower), Xiangsong Auto Company Limited, Kailong Investments Management Limited, NCGA Holdings Limited and Yan Jun Auto Co. Limited (as guarantors) and Standard Chartered Bank (Hong Kong) Limited (as global coordinator); (ii) the facility agreement in respect of a US$216,000,000 term loan facility dated 21 August 2014 between Baoxin Auto (as borrower), Xiangsong Auto Company Limited, Kailong Investments Management Limited, NCGA Holdings Limited and Yan Jun Auto Co. Limited (as guarantors) and Standard Chartered Bank (Hong Kong) Limited (as global coordinator); and (iii) the facility agreement in respect of a US$170,000,000 term loan facility dated 5 September 2013 between Baoxin Auto (as borrower), Xiangsong Auto Company Limited, Kailong Investments Management Limited, NCGA Holdings Limited and Yan Jun Auto Co. Limited (as guarantors) and Morgan Stanley Asia Limited and Standard Chartered Bank (Hong Kong) Limited (as global coordinators)
Review, Valuation Base Date	30 September 2015
Relevant Board Meeting	the fifth meeting of the 6th session of the board of directors of the Listed Company
First Closing Date	the date which shall be at least 21 days following the date on which the Composite Document for the Offers is posted, or such later date as may be extended by the Offeror in accordance with the Code
Final Closing Date, or Offers Closing Date	the closing date for the Offfers which is the 14th day after (i) the date on which the Partial Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the earlier, provided that the Partial Offer will be open for acceptance for at least 21 days following the despatch date
Long Stop Date	being the date falling 8 months after the date of the Hong Kong Offers Announcement (i.e. 11 August 2016) (or such other date as may be agreed in writing by the parties of Irrevocable Undertaking Agreement

Southwest Securities	Southwest Securities Company Limited (西南证券股份有限公司)
China Securities	China Securities Co., Ltd. (中信建投证券股份有限公司)
Independent Financial Advisers	Southwest Securities and China Securities
Financial Adviser to the Offeror, or CMB International	CMB International Capital Limited (招银国际融资有限公司)
Legal Adviser, or Haiwen & Partners	Haiwen & Partners (北京市海问律师事务所)
Valuer, or Orient Appraisal	Orient Appraisal Co., Ltd (上海东洲资产评估有限公司)
PwC	PricewaterhouseCoopers Zhong Tian LLP (普华永道中天会计师事务所(特殊普通合伙))
Ernst & Young	Ernst & Young Hong Kong
Ernst & Young Hua Ming	Ernst & Young Hua Ming LLP (安永华明会计师事务所(特殊普通合伙))
Hong Kong Legal Adviser	Kirkland & Ellis
Offshore Legal Adviser	Walkers
Valuation Report	The Valuation Report in Respect of the Proposed Acquisition of the Shares of Baoxin Auto Group Limited by China Grand Automotive Services, Co., Ltd (《广汇汽车服务股份公司拟收购 BAOXIN AUTO GROUP LIMITED 宝信汽车集团有限公司股权项目之估值报告》) issued by Orient Appraisal
CSRC	China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
NDRC	National Development and Reform Commission of the People's Republic of China
MOFCOM	Ministry of Commerce of the People's Republic of China
SAFE	State Administration of Foreign Exchange of the People's Republic of China
SFC	the Securities and Futures Commission of Hong Kong
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
No. 7 Notice	Notice of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax arising from Indirect Transfers of Properties by Non-Resident Enterprises (SAT Notice 2015 No. 7)
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Restructuring Measures or Restructuring Administration Measures	the Measures for the Administration of Major Asset Restructuring of Listed Companies (《上市公司重大资产重组管理办法》)
No. 26 Standards	the Standards for Contents and Format of Information Disclosure by Public Issuers of Securities No. 26 — Application Documents for Major Asset Restructuring of Listed Companies (2014 revision) (《公开发行证券的公司信息披露内容与格式准则——第 26 号上市公司重大资产重组申请文件》(2014 年修订))
Listing Rules	the rules governing the listing of securities on the Shanghai Stock Exchange
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
RMB, RMB'0,000, RMB100 million	Renminbi, Renminbi 10,000, Renminbi 100 million
HK$	Hong Kong dollars, the lawful currency of the Special Administrative Region of the People's Republic of China

In this Report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.

SIGNIFICANT MATTERS

I. PROPOSAL OF THE TRANSACTION

CGA proposes to, subject to the satisfaction or where applicable, waiver of the pre-conditions, make (though CGA (Hong Kong), a wholly-owned subsidiary of CGA) a pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the shares of Baoxin Auto (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code:1293). Based on the total shares currently in issue of Baoxin Auto of 2,557,311,429, the maximum number of shares of Baoxin Auto proposed to be acquired by the Offeror will be 1,917,983,571 shares. In the event that valid acceptances are received for less than 1,286,430,716 shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Code, the Offers will not proceed and will lapse immediately; and in the event that valid acceptances are received for not less than 1,286,430,716 shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date. In addition, the Offeror will extend an appropriate offer to the Optionholders of Baoxin Auto to cancel up to 11,662,500 outstanding Share Options (representing 75% of all the outstanding Share Options as at the date of this Report). CGA intends to maintain the listing status of Baoxin Auto on the Hong Kong Stock Exchange after the completion of the Transaction.

The consideration for the Transaction will be settled in cash at the Offer Price of HK$5.99 for each share of Baoxin Auto and HK$0.266 for each Share Option.

Mr. Yang Aihua, being currently the ultimate controller of Baoxin Auto, and Baoxin Investment and Auspicious Splendid, both being companies controlled by Mr. Yang Aihua, have undertaken to tender all of the shares held by them for acceptance under the Partial Offer. As at the date of this Report, Baoxin Investment and Auspicious Splendid held 1,242,224,000 and 127,920,000 shares of Baoxin Auto, respectively, representing 48.58% and 5.00% of the issued share capital of Baoxin Auto.

Guanghui Group, the controlling shareholder of the Company, has undertaken to vote in favour of the resolutions at the relevant general meeting to be held by CGA for the purpose of considering the Transaction.

II. FINANCIAL AUDIT ON THE TARGET COMPANY

The Target Company to be acquired is incorporated in the Cayman Islands and is an independent offshore legal entity which has no shareholding relationship with the Company. Given the fact that the Transaction represents a voluntary offer to be made by CGA to acquire a company listed on the Hong Kong Stock Exchange, the Target Company cannot provide detailed financial information prior to the completion of the Transaction due to commercial confidentiality restrictions. Therefore, it is difficult to obtain the detailed financial information of the Target Company prepared under the PRC Accounting Standards for Business Enterprises and to conduct auditing thereon. As a result, the Company is not in a position to provide the financial statements of the Target Company prepared under the PRC Accounting Standards for Business Enterprises as applicable to the Company or the related audit report.

According to the periodic reports publicly disclosed by the Target Company, the 2013 and 2014 financial statements of the Target Company were prepared under Hong Kong Financial Reporting Standards, and audited by Ernst & Young who issued standard unqualified audit reports thereon. The financial statements of the Target Company for the period from January to September 2015 were prepared under Hong Kong Financial Reporting Standards, and reviewed by Ernst & Young who issued a standard unqualified review report thereon.

The Company has disclosed in this Report the explanations on, and discrepancy table in respect of, the differences between critical accounting standards (set out in the financial statements of the Target Company and its subsidiaries for the years of 2013 and 2014 and the accounting period ended 30 September 2015 prepared by CGA under Hong Kong Financial Reporting Standards), and the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC and the specific accounting standards, practices guidance, interpretations and other relevant regulations subsequently promulgated or revised by it. Ernst & Young Hua Ming LLP carried out assurance procedures with limited guarantee and produced a verification report with a conclusion as follows: "based on the limited assurance verification work conducted by us, we are not aware of any matters which would make us to believe that the discrepancy table does not reflect, in any material aspect, the difference between the Hong Kong accounting policies and the PRC accounting standards".

The Company will prepare and disclose to investors the financial report and audit report of the Target Company prepared under the PRC Accounting Standards for Business Enterprises and the accounting policies of the Company as soon as practicable after the formal completion of the transfer of the shares of the Target Company.

III. PRICING METHOD OF THE TRANSACTION

Since the Target Company is listed on the Hong Kong Stock Exchange, the consideration for the Offers shall not be based on the appraisal report and thus no asset appraisal has been conducted for the acquisition. The consideration under the Offers has been determined by reference to such factors as the quality of the assets, profitability, market capitalization, brand and channel value of the Target Company and the synergies to be achieved in the aspects of geographical distribution, brand and business between CGA and Baoxin Auto upon completion of the acquisition. Assuming that all of 1,917,983,571 shares under the Partial Offer and 11,662,500 Share Options under the Option Offer had been accepted, the maximum total cash consideration payable by the Offeror under the Offers will be approximately HK$11,491,823,815.29 (assuming no Share Options are exercised and the Offers are fully accepted) , equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HKD against RMB on 4 December 2015, i.e., HK$1=RMB0.82386).

IV. NO PROFIT FORECAST FOR THE TRANSACTION

Prior to the completion of the acquisition, the Target Company cannot provide more detailed financial information and profit forecast as it is subject to the listing regulatory and commercial confidentiality restrictions. Furthermore, as the Target Company is listed on the Hong Kong Stock Exchange, the announcement of a profit forecast may cause unusual movements in the share price of the Target Company and thus influence the willingness of existing shareholders of the Target Company to tender their shares, which will add uncertainties to the Transaction. As such, no profit forecast is made for the Transaction.

V. THE TRANSACTION CONSTITUTES A MAJOR ASSET RESTRUCTURING

Assuming that all of 1,917,983,571 shares under the Partial Offer and 11,662,500 Share Options under the Option Offer had been accepted, the aggregate cash consideration payable by the Offeror under the Offers will be approximately HK$11,491,823,815.29 (assuming no Share Options are exercised), equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HKD against RMB on 4 December 2015, i.e., HK$1=RMB0.82386), which accounts for over 50% of the closing net assets value of the Listed Company as shown in its audited consolidated financial statements for the latest accounting year and exceeds RMB50 million, and therefore the Transaction constitute a major asset restructuring under relevant provisions of the Restructuring Measures of the CSRC.

VI. THE TRANSACTION DOES NOT CONSTITUTE A CONNECTED TRANSACTION

There is no connected relationship between the Counterparties of the Transaction and the Listed Company prior to the Transaction. As such, the Transaction does not constitute a connected transaction.

VII. THE TRANSACTION DOES NOT CONSTITUTE A BACKDOOR LISTING

The Transaction represents an acquisition of assets by the Listed Company in cash and does not involve any issuance of shares. Upon completion of the Transaction, the de facto controller remains Mr. Sun Guangxin. The Transaction will not lead to a change of the de facto controller of the Listed Company. As such, the Transaction does not constitute a backdoor listing pursuant to relevant provisions of the Restructuring Measures.

VIII. IMPACT OF THE TRANSACTION ON THE LISTED COMPANY

The Transaction represents an acquisition of assets by the Listed Company in cash and does not involve any issuance of shares. Upon completion of the Transaction, the shareholding structure of the Listed Company remains unchanged.

Since the acquisition of the Target Company is yet to be completed, it is difficult for the Company to obtain the detailed financial information of the Target Company prepared under the PRC Accounting Standards for Business Enterprises and perform an audit thereon and it is also not in a position to prepare a pro forma consolidated financial report. Through the Transaction, the Listed Company will obtain quality automobile dealership services assets and achieve sound synergies with the existing businesses of the Listed Company in the brand coverage, geographical distribution, business and other aspects. The Transaction, upon completion, will allow CGA to further optimize its brand portfolio, improve its national dealership and service network, and fully promote its advanced aftermarket service mode such as the established modern operation management system and financial leasing to the existing outlets of Baoxin Auto, so as to achieve synergies and maintain the leading position of CGA in the field of passenger vehicle dealership and services.

IX. PROCEDURES FULFILLED OR YET TO BE FULFILLED FOR THE TRANSACTION

(I) Decision-making procedures fulfilled for the Transaction

On 11 December 2015, the Company held the fifth meeting of the 6th session of the board of directors of the Listed Company at which the relevant resolutions for the Transaction were passed.

(II) Approval procedures yet to be fulfilled for the Transaction

The Transaction is subject to the satisfaction of the following conditions, i.e., the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the following pre-conditions:

1. a filing having been submitted to and formally accepted by MOFCOM made under the Anti-Monopoly Law of the PRC and the Partial Offer and Option Offer having been cleared or, through the expiration of the relevant statutory time periods for review by MOFCOM, having been deemed to have been cleared by MOFCOM under the Anti-Monopoly Law of the PRC, with or without conditions, on terms satisfactory to the Offeror;

2. with respect to the Offeror, the obtaining of approvals or authorizations of, the making of the necessary filings and registrations with, and notifications to, the NDRC, Shanghai Municipal Commission of Commerce of the PRC or departments delegated by it, the Shanghai Stock Exchange and qualified banks approved by SAFE for foreign exchange in connection with the Offers, each on terms reasonably acceptable to the Offeror;

3. the shareholders of CGA passing resolutions at a general meeting to approve the Offers by a majority of not less than two-thirds of the votes cast by the shareholders of CGA present at such general meeting (in person or by proxy) in accordance with the "Administrative Measures for the Major Asset Restructuring of Listed Companies" (《上市公司重大資產重組管理辦法》) issued by the CSRC;

4. the consent of the relevant lenders under the Facility Agreements for the change in the ultimate controlling shareholder(s) of the Target Company being obtained or waived or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder(s) or senior management of the Target Company under the Facility Agreements, in each case, on terms acceptable to the Offeror and such consent or waiver, as applicable, remaining in full force and effect without material variation;

5. consent from the Executive in respect of the Partial Offer and the Option Offer pursuant to Rule 28.1 of the Code being obtained and such consent remaining in full force and effect ;

6. the Target Company having delivered a certificate to the Offeror certifying that there has been no change, fact, event or circumstance of Baoxin Auto which has had or would reasonably be expected to have a material adverse effect on the financial position or operations of the Baoxin Auto taken as a whole since 30 September 2015 up to and including the time when the last of the pre-conditions set out in items 1 to 5 above is satisfied, or where applicable, waived, provided that in no event shall any change, fact, event, or circumstance, individually or in aggregate, constitute or be taken into account in determining the occurrence of a material adverse effect if such material adverse effect relates to (i) changes in general or economic conditions in Hong Kong, the PRC or jurisdictions relevant to the business of the Target Company, (ii) changes in the credit, debt, financial or capital markets or changes in interest or exchange rates, in each case, in Hong Kong, the PRC or jurisdiction relevant to the business of the Target Company, (iii) changes in conditions generally affecting the industry in which any member of the Target Company operates, (iv) any outbreak or escalation of any military conflict, declared or undeclared war, armed hostilities, or acts of foreign or domestic terrorism, and (v) any hurricane, flood, tornado, earthquake or other unusual disaster; and

7. all warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking remaining true and accurate in all material respects and not misleading in any material respect up to and including the time when the last of the pre-conditions set out in items 1 to 6 above is satisfied or, where applicable, waived, or if there has been a material breach of the warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking such breach having been remedied by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid within 30 days of the Offeror first notifying them of such breach.

The Offeror reserves the right to waive pre-conditions 4, 6, and 7 above, either in whole or in part. Pre-conditions 1, 2, 3 and 5 cannot be waived by the Offeror.

There are uncertainties as to whether the above pre-conditions could be satisfied and therefore investors are advised to pay attention to investment risks.

X. MAJOR UNDERTAKINGS MADE BY RELEVANT PARTIES INVOLVED IN THE TRANSACTION

Undertaking made by	Title of undertaking	Major contents
Baoxin Investment, Auspicious Splendid Jumbo Create Investment and Wilfred Speedy Investment	Undertaking letter in respect of the truthfulness, accuracy and completeness of the information provided	Warrant that the relevant information provided by them in connection with the Transaction is true, accurate and complete, and is free from any misrepresentation, misleading statements or material omissions, and accept joint and several liabilities for the truthfulness, accuracy and completeness of such information.
Baoxin Investment, Auspicious Splendid and Mr. Yang Aihua	Irrevocable Undertaking Agreement	Baoxin Investment and Auspicious Splendid will approve the Partial Offer in respect of all of the relevant shares held by them, and the Partial Offer will be accepted by them in respect of all of the relevant shares by 4:00 p.m. on the third business day after the despatch of the Composite Document and have irrevocably undertaken that they will not withdraw such acceptance. For details about the specific contents of Irrevocable Undertaking Agreement, please refer to sub-section“II. Major contents of the Irrevocable Undertaking Agreement” under the section “SECTION V PRINCIPAL TERMS OF THE TRANSACTION CONTRACT” in this report
	Deed of Non-competition	The covenantors undertake that they will not handle and procure their respective related parties and family members (excluding the Baoxin Auto Group) not to do any of the following things, directly or indirectly, alone or together with or on behalf of any other persons: 1. They will not engage in or become directly or indirectly interested in the operation of, the Restricted Businesses within the Restricted Area (or any part thereof); 2. They will not disclose to other persons or use any confidential information relating to any member of the Baoxin Auto Group, the identity of its customers, distributors, and suppliers, its products, finance, contractual arrangements, business or methods of business (except for any information publicly available or as disclosed or revealed under an order issued by any court that has the relevant jurisdiction or any other applicable stock exchange or other regulatory authorities); 3. They will not, within the Restricted Period for Non-solicitation, solicit or attempt to solicit any person who is an officer, manager, consultant or employee of any member of the Baoxin Auto Group as at the date of this deed, to leave his post with or terminate his provision of services to the member of the Baoxin Auto Group, or to enter into any employment or service agreement with the convenantors or any of their related parties or family members (save for any responses made to the general public advertisement or recruiting campaigns which do not specifically target the aforesaid officer, manager, consultant or employee or do not generally target the employees of the Baoxin Auto Group). 4 They will not, within the Restricted Period for Non-solicitation, solicit or attempt to solicit any client, supplier, licensee, licensor, franchisee, lessor, or other business partner of the members of the Baoxin Auto Group (or any potential client, supplier, licensee, licensor, franchisee, lessor, or other business partner that are taken into consideration by or under discussion with the members of the Baoxin Auto Group for business relationship) to terminate or refrain from doing business with members of the Baoxin Auto Group, or otherwise intervene with the relationship (or the prospective relationship) between (i) any of such customer, suppliers, licensees, licensors, franchisees, or other business relation and (ii) any members of the Baoxin Auto Group (including but not limited to any negative statement or communications made with respect to any members of the Baoxin Auto Group). Where, (1) “Excluded Businesses” mean the interests of Mr. Yang Aihua in Orient Rich Investment Development Limited (润华投资发展有限

Undertaking made by	Title of undertaking	Major contents
		公司), Extensive Prosperous Investments Limited (昌广投资有限公司) and Autostreets and the businesses operated by such three companies, provided however, (i) the businesses of such three entities shall relate to the operation of an integrated platform for both online and offline auto service; and (ii) such entities do not engage in or become directly or indirectly interested in the operation of, the Restricted Businesses within the Restricted Area (or any part thereof) during the Restricted Period. (2) “Restricted Period for Non-solicitation” means the period starting from the closing date and ending on the date which is one year from the closing date. (3) “Restricted Area” means the PRC (or if this country is deemed to be not enforceable, then each province where the Restricted Businesses are operated from time to time; or if such province is deemed to be not enforceable, then each city where the Restricted Businesses are operated from time to time or such smaller area as necessarily required by law for the purpose of being enforceable); (4) “Restricted Businesses” means the operation of any physical automotive 4S (sales, spare parts, service and survey) dealership stores in the PRC; “Restricted Period” means the period starting from the closing date and ending on the date which is one year from the closing date (or if such one-year period is deemed to be not enforceable, then six-month period, or such shorter period as necessarily required by law for the purpose of being enforceable). For details about the specific contents of Irrevocable Undertaking Agreement, please refer to sub-section“IV. Major contents of the Deed of Non-competition” under the section “SECTION V PRINCIPAL TERMS OF THE TRANSACTION CONTRACT” in this report

Guanghui Group	Irrevocable Undertaking	1. On or before the date of the shareholders' general meeting for the purpose of considering the Transaction or the date the Irrevocable Undertaking ceases to be effective pursuant to its terms, whichever is the earlier, save for any possible pledge made by Guanghui Group over part or all of its CGA shares for the purpose of the Offers (provided that the terms of the pledge will not impair the voting rights of such CGA shares), Guanghui Group will not: (1) sell, transfer or otherwise dispose any equity interests in CGA held by it which would cause its shareholding to fall below 37% of total issued share capital of CGA; (2) reach any agreement, arrangement or understanding (other than the Irrevocable Undertaking) in respect of the voting rights or participating rights carried by the CGA shares which might restrict or preclude Guanghui Group's performance of its obligations under the Irrevocable Undertaking; (3) enter into or allow the entering into of any agreement or arrangement, or incur or allow the incurring of any obligations in respect of the following two aspects: (i) any actions as set out in the aforesaid paragraphs (1) and (2); or (ii) with respect to CGA, anything which will or might restrict or preclude Guanghui Group's performance of its obligations under the Irrevocable Undertaking. 2. In addition, Guanghui Group also undertakes to vote in favor of the Offers, meaning at the shareholders' general meeting of CGA to be held for the purpose of considering the Transaction, it will vote in favor of all the relevant resolutions with respect to the Offer as set out in the notice of the meeting.For details about the specific contents of Irrevocable Undertaking Agreement, please refer to sub-section"III Major contents of the Deed of Irrevocable Undertaking" under the section "SECTION V PRINCIPAL TERMS OF THE TRANSACTION CONTRACT" in this report
	Undertaking letter in respect of the defects in properties	In respect of the defects in the properties of the Target Company (Baoxin Auto) to be acquired by CGA, Guanghui Group irrevocably undertakes that: "In case that, upon Baoxin Auto having become a subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming subsidiaries of CGA, Guanghui Group agrees to bear and indemnify Baoxin Auto and its subsidiaries from any losses, damages, claims, costs and expenses incurred or suffered by CGA, Baoxin Auto or its subsidiaries arsing from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities."

XI. ARRANGEMENT IN THE RESTRUCTURING FOR PROTECTION OF INTERESTS OF SMALL AND MEDIUM INVESTORS

In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Markets (《国务院办公厅关于进一步加强资本市场中小投资者合法权益保护工作的意见》) and the provisions of Restructuring Measures of CSRC, the Company has taken various measures to protect the interests of small and medium investors, details of which are set out as below:

(I) Strictly discharge the information disclosure obligations of listed companies

In the course of the Transaction, the Listed Company will, in strict compliance with the requirements of relevant laws and regulations such as the Restructuring Measures, the Notice on Standardization of Information Disclosure of Listed Companies and Behaviors of Relevant Parties (《关于规范上市公司信息披露及相关各方行为的通知》) and the Interim Provisions for Strengthening the Regulation of Unusual Share Transaction in Relation to Major Assets Restructuring of Listed Companies (《关于加强与上市公司重大资产重组相关股票异常交易监管的暂行规定》), disclose relevant information in a timely and complete manner, earnestly discharge its statutory obligations for information disclosure, and impartially disclose to all investors significant events which may have significant effect on the share price of the Listed Company and the progress of the Transaction.

(II) Engage intermediaries to issue professional opinions

The Company has engaged the Independent Financial Adviser and Legal Adviser to examine the Transaction and also engaged the Valuer with practicing qualifications in securities to issue valuation reports. The management of the Company has prepared explanations on, and a discrepancy table in respect of, the differences between critical accounting standards (as set out in the financial statements of the Target Company and its subsidiaries for the years of 2013 and 2014 and nine months ended 30 September 2015 prepared under Hong Kong Financial Reporting Standards) and the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC and the specific accounting standards, practices guidance, interpretations and other relevant regulations subsequently promulgated or revised by it. Ernst & Young Hua Ming LLP was engaged to carry out assurance procedures with limited guarantee and produced a verification report on the explanations and the discrepancy table. The Independent Financial Adviser and Legal Adviser engaged by the Company will issue the letter from the Independent Financial Adviser and the letter from the Legal Adviser, respectively, in accordance with the requirements of relevant laws and regulations.

(III) Make available the on-line platform for voting at the shareholders general meeting

When the relevant maters of the Transaction were put forward to the meeting of the Board of the Company for discussion, each of the independent directors of the Company has issued his independent opinion on the relevant maters of the Transaction.

In accordance with relevant requirements such as the Certain Provisions on Strengthening Protection of Interests of Public Shareholders (《关于加强社会公众股股东权益保护的若干规定》) of CSRC and the Detailed Implementing Rules for On-line Voting at Shareholders General Meeting of Listed Companies (《上市公司股东大会网络投票实施细则》) of SSE, the Company will make available an on-line voting platform for shareholders to vote, if they will, conveniently through Internet on the proposal of this Restructuring.

(IV) Return remedial arrangement for dilution of current earnings per share due to the Restructuring

The Transaction does not involve issuance of shares and thus will not result in the dilution of current earning per share.

Upon completion of the Transaction, the Listed Company will further improve its brand portfolio and national distribution and service network, consolidate and maintain the leading position of CGA in the field of passenger vehicle distribution and related services.

MATERIAL RISKS

Apart from the other contents herein and the relevant documents disclosed concurrently with this Report, investors are also advised to give due consideration to the following risk factors when assessing the Transaction of the Company:

I. RISKS RELATING TO THE TRANSACTION

(I) Risk of cancellation or failure of the Transaction

The Transaction is subject to the satisfaction of a number of conditions, i.e., the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the pre-conditions as set out in the paragraph headed "(II) Approval procedures yet to be fulfilled for the Transaction" under subsection headed "X. Procedures Fulfilled or Yet To Be Fulfilled for The Transaction" of the section headed "Significant Matters".

As at the date of this Report, the development of the abovementioned precedent conditions is as follows:

(1) For precedent conditions as listed in Item 1, the MOFCOM received the application submitted by the Company regarding the collective report of operators with respect to the Transaction as of 14 December 2015;

(2) For precedent conditions as listed in Item 2, the Company submitted the overseas investment application with respect to the Transaction to the NDRC of the PRC;

(3) For precedent conditions as listed in Item 3, CGA issued the "Notice of the Sixth Session of Extraordinary General Meeting of 2015" as of 12 December 2015, whereby stating that the Company will convene the sixth Extraordinary General Meeting of 2015 on 28 December 2015 and considering the relevant resolution of the Transaction;

(4) For precedent conditions as listed in Item 4, based on the explanations of the Target Company, the Target Company is currently engaged in negotiations with the relevant lenders according to the financing agreements. Given the preliminary results through negotiations with those lenders, the Target Company believes that there are no substantial obstacles to obtaining the consent by those lenders.

According to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror, the pre-conditions shall be satisfied before eight months following the date of the Hong Kong Offers Announcement. There are uncertainties as to whether the pre-conditions could be satisfied within the agreed period, and any failure to satisfy or, where applicable, obtain a waiver for any of the pre-conditions within the agreed period may result in suspension, discontinuance, cancellation, or failure of the Transaction. As such, investors are advised to be aware of the risk of possible termination of the Transaction.

(II) Legal and policy risks

In the Transaction, CGA is an A-share listed company in the PRC, while the Target Company, Baoxin Auto, is a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. Therefore, this acquisition is subject to the regulations and policies of both Mainland China and Hong Kong in relation to foreign mergers and acquisitions and takeovers of public listed companies. There are risks relating to the introduction of new laws or policies that are adverse to the Transaction or such investigations as may be launched by local government and relevant regulatory authorities. The Target Company will have to stay in compliance with the relevant requirements of the SFC and the Hong Kong Stock Exchange in the future as CGA intends to maintain the listing status of the Target Company on the Hong Kong Stock Exchange after the completion of the Transaction. CGA has respectively appointed experienced financial advisers and legal advisers to facilitate the consummation of the Transaction by minimizing relevant legal risks.

(III) Risk of failure to obtain third-party consents in connection with the Transaction

The Transaction will involve a change in the control of the Target Company whose controlling shareholder and de facto controller will be changed to CGA (Hong Kong) and Mr. Sun Guangxin, respectively, upon completion of the Transaction. Pursuant to the automobile dealership contracts entered into between the Target Company and its subsidiaries and certain automakers, the loan agreements entered into between the Target Company and certain banks, and the agreements governing the issuance of US$ bonds with a principal amount of approximately US$58,160,000 by the Target Company, any change in the control of the Target Company is subject to the consent of the automotive brand owners which grant dealership to Baoxin Auto and of the relevant creditors of Baoxin Auto.

In accordance with the Irrevocable Undertaking Agreement between CGA and the Offeror and Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, (1) one of the pre-conditions to the Offers is to obtain consents or waiver from the relevant lenders under the Facility Agreements (see the Definition section for the details of the loan agreements under the Facility Agreements) for the change in the ultimate controlling shareholder of the Target Company or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder or senior management of the Target Company under the Facility Agreements; (2) in the event that holders of the US$ bonds with a principal amount of approximately US$58,160,000 exercise the rights of redemption attached to such bonds of Baoxin Auto (or any part thereof) and the Target Company is required to pay 103% of the principal of the bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of such bonds of Baoxin Auto, Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, have agreed to jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the bonds.

Notwithstanding the above arrangements made for the existing debts of the Target Company under the Irrevocable Undertaking Agreement between CGA and the Offeror and Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, it shall be noted that the Target Company has other loans or debts in addition to the loans under the Facility Agreements and US$ bonds; and if the relevant creditors do not grant their consent in respect of the Transaction that will result in a change in the de facto controller of Baoxin Auto, such creditors may demand Baoxin Auto to repay the debts before they fall due, which may cause certain financial management pressure and risks to the Target Company in the short term. If the automotive brands do not grant their consent in respect of the Transaction that will result in a change in the de facto controller of Baoxin Auto, such automotive brands may withdraw the authorization granted to Baoxin Auto, which would have an adverse impact on the future market share and results of operations of Baoxin Auto.

1. Consents required to be obtained and having been obtained so far from automotive brand owners and relevant creditors and their percentage in total debts

(1) Consents required to be obtained and having been obtained so far from automotive brand owners

According to the statements provided by Baoxin Auto, as the Transaction will involve a change in the de facto controller, 43 automobile dealership contracts held by 25 subsidiaries of Baoxin Auto require consent from relevant automotive brand owners to continue their authorization. Such brands include BMW, GAC Toyota, Buick, Chevrolet, Cadillac, Jaguar & Land Rover, Porsche and Volvo.

Currently, Baoxin Auto and CGA had communications with relevant automotive brand owners in relation to the change in the de facto controller arising from the Transaction and obtained positive responses and consents from the brand owners of BMW, Jaguar & Land Rover, Porsche and Volvo, As at the date of this Report, Baoxin Auto and CGA are in the process of communication with relevant automotive brand owners.

(2) Consents required to be obtained and having been obtained so far from relevant creditors

(i) According to the legal opinions issued by the Offshore Legal Adviser and the information publicly disclosed by the Target Company, the Target Company had entered into three offshore Facility Agreements with relevant lenders. As at 30 September 2015, the outstanding balances under such offshore Facility Agreements in aggregate amounted to US$577,000,000, representing 42.86% of the total liabilities of the Target Company as at 30 September 2015(hereinafter referred to as the total liabilities, comprised of bank loans and US dollar bonds). To obtain consent or waiver from the relevant lenders under the said Facility Agreements for the change in the ultimate controlling shareholder(s) of the Target Company is one of the pre-conditions to the Partial Offer. According to the statement provided by Baoxin Auto, Baoxin Auto has been in the process of communication with relevant lenders pursuant to the said Facility Agreements; and based on the results of the initial communication, there is no substantive obstacle for the Target Company to obtain such consents.

(ii) On 31 December 2012, Baoxin Auto issued 5-year unsecured payment-in-kind bonds with an aggregate principal amount of US$ 58,160,000 (“Baoxin Bonds”), at the fixed interest rate of 5.65% per annum. Pursuant to the terms of the Baoxin Bonds, if any one obtains more than 30% voting rights of the Target Company after issuance of the bonds, holders of the bonds shall be entitled to, by way of notice in writing, demanding the Target Company to redeem the bonds before they fall due at 103% of the principal amount of the bonds plus accrued interests thereon, and the Target Company shall be required to make relevant payment upon receipt of such notice within five business days. Considering that the Transaction will result in the Offeror obtaining of more than 30% voting rights of the Target Company, the Transaction will trigger the term of early redemption by bondholders. As at 30 September 2015, such bonds are yet to be repaid with an aggregate outstanding balance of US$ 58,160,000, representing 4.32% of the total liabilities of the Target Company as at 30 September 2015.

Pursuant to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and the Offeror, in the event that a holder of the bonds exercises the right of redemption attached to the Baoxin Bonds (or any part hereof) and that the Target Company is required to pay 103% of the principal amount of the Baoxin Bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of the Baoxin Bonds, each of the Baoxin Covenantors shall jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to each of the Baoxin Covenantors requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the Baoxin Bonds.

(iii) Pursuant to the domestic bank borrowing agreements entered into between Baoxin Auto and relevant creditors, those lenders involved in such restriction include The Bank of East Asia (China) Ltd. Suzhou Branch, Ningbo Commerce Bank Co., Ltd. Shanghai Branch, CITIC Bank Corporation Limited Suzhou Branch, and CITIC Bank Corporation Limited Shanghai Branch. According to the statement provided by Baoxin Auto, in respect of such domestic bank borrowings, Baoxin Auto has communicated with the aforesaid four banks and obtained oral consent from the relevant creditors. As such, there is no substantive obstacle for the Target Company to obtain consents from such creditors. The aggregate outstanding balances under these facility agreements amounted to RMB1,197,937,500, representing 13.99% of the total liabilities of the Target Company as at 30 September 2015.

2. The Target Company's capability to pay and financing means available when requiring to make early repayment of debts

(1) Debts under the offshore Facility Agreements. Under the Transaction, there is no possibility of early repayment for the debts under the offshore Facility Agreements as to obtain consent or waiver from the relevant creditors of such debts is one of the pre-conditions to the Partial Offer;

(2) Baoxin Bonds. In respect of the claims and debts under the Baoxin Bonds, the Transaction is likely to trigger the term of early redemption by bondholders requiring the Target Company to make early repayment. Pursuant to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and the Offeror, in the event that a holder of the bonds exercises the right of redemption attached to the Baoxin Bonds (or any part hereof) and that the Target Company is required to pay 103% of the principal amount of the Baoxin Bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of the Baoxin Bonds, each of the Baoxin Covenantors shall jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to each of the Baoxin Covenantors requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the Baoxin Bonds.

(3) Domestic borrowing agreements. As CGA and Baoxin Auto has communicated with the aforesaid four banks in respect of the change in the de facto controller as a result of the Transaction and obtained oral consent from the relevant creditors, it is very unlikely that the Target Company will be required to make early repayment of such debts. As at 30 September 2015, the outstanding balance of such debts amounted to RMB1,197,937,500, representing 13.99% of the total liabilities of the Target Company Group as at 30 September 2015.

As a result of the foregoing, Baxin Auto may be required to make early repayment of the debts in an amount of not exceeding RMB1,567,910,700. As at 30 September 2015, Baoxin Auto had cash and cash equivalent of RMB3,194,421,000. Meanwhile, Baoxin Auto had RMB8,801,430,600 of unused lines of credit from financial institutions, available for domestic financing. In addition, Baoxin Auto is able to raise funds through offshore financing platforms. Therefore, Baoxin Auto has adequate solvency to meet its obligations if Baoxin Auto is required to make early repayment of part of debts.

3. Measures to be taken in the event of failure to obtain consent for the Transaction

Based on the exchanges and communications with the relevant automotive brand owners and the relevant creditors, it is likely that the automotive brand owners and the relevant creditors will grant their consent for the Transaction.

(1) In the event of failure to obtain consent in the end from the automotive brand owners (who contributed to less than 5% of the total revenue of Baoxin Auto derived from sale of automobiles in 2014) with whom communications are underway, there will not cause material adverse impact on the operations of Baoxin Auto.

(2)Baxin Auto may be required to make early repayment of the debts in an amount of not exceeding RMB1,567,910,700. In the event of failure to obtain consent from the relevant creditors in respect of part of the debts, Baoxin Auto’s internal financial resources and lines of credits from financial institutions may serve as payment guarantee for such debts. Secondly, as at the end of September 2015, CGA obtained lines of credit up to RMB52,280 million in total from a number of banks, of which RMB25,958 million was utilized and the RMB26,322 million remains unused. As such, CGA has sufficient financial resources to cover such debts.

(IV) Risks relating to tax withholding

Pursuant to the Notice of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax arising from Indirect Transfers of Properties by Non-Resident Enterprises (SAT Notice 2015 No. 7) (《国家税务总局关于非居民企业间接转让财产企业所得税若干问题的公告》(国家税务总局公告 2015 年第 7 号)), CGA (Hong Kong) shall act as tax withholding agent in connection with the share transfer under the Transaction. In the event that the tax withholding agent fails to withhold, and the transferor fails to pay, the tax payable upon transfer of the shares, the competent tax authority may impose a penalty on the withholding agent for its failure to withhold such tax in accordance with the tax administration law and its implementation rules. Mr. Yang Aihua and its connected persons Baoxin Investment and Auspicious Splendid have entered into the Irrevocable Undertaking Agreement, whereby agreeing to the declaration and payment obligations pertaining to the income tax under No. 7 Notice, as well as permitting CGA (Hong Kong) (as the Offeror) to withhold a total tax amount of HK$400 million (amongst which, HK$362,673,000 from Baoxin Investment and HK$37,327,000 from Auspicious Splendid) with respect to the taxes payable related to the transactional consideration involved in this Transaction between Baoxin Investment and Auspicious Splendid according to No. 7 Notice. However, there still exist risks that tax payment may not be made as committed, and under such case and the payable tax by related parties exceed the withheld tax amount , CGA and CGA (Hong Kong) may be demanded by the competent tax authority to make such tax payment and thus suffer a loss.

(V) Risks relating to the implementation of the Offers

Upon satisfaction or where applicable, waiver of the pre-conditions to the Partial Offer in the Transaction, CGA (Hong Kong) will make the Partial Offer to the Qualifying Shareholders of the Target Company to acquire a maximum of 1,917,983,571 shares and the Option Offer to the Optionholders to cancel up to 11,622,500 outstanding Share Options. Upon completion of the Offers, CGA will hold not more than 75% equity interest in the Target Company in order to maintain its listing status on the Hong Kong Stock Exchange. Meanwhile, CGA will enter into the Irrevocable Undertaking Agreement with Mr. Yang Aihua, the controlling shareholder of the Target Company, and Baoxin Investment and Auspicious Splendid (both controlled by Mr. Yang Aihua), pursuant to which Baoxin Investment and Auspicious Splendid will accept the Partial Offer in respect of the 1,242,224,000 shares (representing approximately 48.58% of the total issued shares of the Target Company) and the 127,920,000 shares (representing approximately 5.00% of the total issued shares of the Target Company) owned by them respectively. As such, CGA will obtain the control of the Target Company upon completion of the Offers.

The Transaction will be carried out through making a pre-conditional voluntary cash Partial Offer and an Option Offer by CGA (Hong Kong) to the Qualifying Shareholders and Optionholders of the Target Company, respectively. In addition to the risk relating to approvals, it is possible that other competitors may make competing offers to the shareholders of the Target Company during the period of the Offers, in which case the price for acquisition of the Target Company by CGA (Hong Kong) may be adjusted or it may take a longer time for the completion of the Transaction to take place, or not at all.

In addition, as the Offers contain the conditions in relation to the acquisition of a maximum of 75% issued shares of the Target Company, upon completion of the Offers, the number of shares transferred to CGA from Baoxin Investment and Auspicious Splendid will depend on the acceptance of the Offers by the Qualifying Shareholders of the Target Company. However, it is not feasible to anticipate the acceptance of the Offers by the Qualifying Shareholders of the Target Company other than Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid. Therefore, if the Offers proceed as scheduled, the number of shares of the Target Company to be acquired by CGA (Hong Kong) through the Offers will range between 1,370,144,000 and 1,917,983,571 (asumming no Share Options are exercised). Accordingly, the final number of shares and shareholding in the Target Company held by CGA are subject to uncertainty and the consideration to be paid therefor remains uncertain. Investors are advised to remain cautious about the relevant investment risks.

(VI) Risk relating to the financial statements of the Target Company which were not audited by PRC CPA

Baoxin Auto is listed on the Hong Kong Stock Exchange, and its annual consolidated financial statements are prepared in accordance with Hong Kong accounting standards. The consolidated financial statements of the Target Company for 2013 and 2014 were audited by Ernst & Young who issued standard unqualified audit reports thereon, and the consolidated financial statements for the period from January to September 2015 were reviewed by Ernst & Young who issued a standard unqualified review report thereon. Meanwhile, the management of the Company has prepared explanations on, and a discrepancy table in respect of, the differences between critical accounting standards (set out in the financial statements of the Target Company and its subsidiaries for the years of 2013 and 2014 and the nine months ended 30 September 2015 prepared under Hong Kong Financial Reporting Standards) and the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC and the specific accounting standards, practices guidance, interpretations and other relevant regulations subsequently promulgated or revised by it. Ernst & Young Hua Ming LLP was engaged to carry out assurance procedures with limited guarantee and produced a verification report on the explanations and the discrepancy table. As there are certain differences between Hong Kong accounting standards and PRC Accounting Standards for Business Enterprises, the audited financial reports prepared in accordance with the PRC Accounting Standards for Business Enterprises may be subject to certain adjustments upon completion of the Transaction, which may involve the risk of adjusting the operating results of the Target Company.

(VII) Risk of increasing debt size

CGA will finance the Offers with its internal resources and self-raised funds. The sources for self-raised funds may come from obtaining loans from banks. Upon completion of the Transaction, CGA will have a higher gearing ratio. CGA plans to repay such debts with cash flows to be generated from its operating activities. If the expected synergies could not be achieved in the short term, or the cash inflows to be generated from CGA's operating activities fail to meet expectation, there would be risks that the short-term solvency and subsequent debt financing capacity of CGA would be adversely impacted.

(VIII) The risks that the performance of the Target Company would decline

In line with the general declining trend in the performance of the PRC automobile industry in 2015, the luxury automobile market also cooled down with prices falling. Affected by the anti-price-monopoly investigations and the external market slump, coupled with deeper discounts at the end of market, prices will continue to decline. In order to promote sales volume and decrease inventories of dealers, various automobile brands have lowered retail prices for some vehicle models, resulting in a decrease in gross profit of dealers. The Target Company made a short-term adjustment to its operational strategies in the third quarter of 2015, net profit of Baoxin Auto attributable to owners of the parent amounted to RMB1,014,335,000, RMB706,644,000 and RMB153,033,000, respectively for 2013, 2014 and January to September 2015, and the profits also decreased. Investors are advised to pay attention to the risks that the aforesaid performance of the Target Company would deteriorate.

II. RISKS RELATING TO THE INDUSTRY AND BUSINESSES OF THE TARGET COMPANY

(I) Risk relating to macroeconomic volatility

The principal activities of CGA and Baoxin Auto are passenger vehicle dealership and service business, the market development of which is closely associated with the changes in domestic and international economic environment. Changes in economic cycle will directly affect the development of the passenger vehicle industry. If China's macro economy slows down or suffers persistent recession in the future, whereby affecting the growth in residents' disposable income, residents' spending on vehicle purchasing will reduce accordingly and the industry will be impacted to a certain extent, which may affect the development of the principal businesses of CGA and Baoxin Auto. Therefore, macroeconomic development cycle will have some impact on the Company's future operations.

(II) Risk relating to operations in automotive industry

Due to the implementation of automotive industry policies and the recovery of macro economy, PRC passenger vehicle market witnessed a growth spurt during 2009 to 2010, with a year-on-year growth of about 40% in sales volumes, the biggest growth among global automotive markets. However, under the impact of adverse factors such as termination of preferential policies in favor of the automotive industry, rising oil prices and imposition of car-purchasing restrictions in major cities, the growth of passenger vehicle market has slowed down since 2011. Although there still remains much room for the development of domestic passenger vehicle market as compared to developed countries, the automobile sales of CGA and Baoxin Auto may be adversely affected to certain extent if the automotive industry experiences obvious fluctuations under the impact of macro economy, fuel prices and automotive industry policies in the future. Meanwhile, as there is a strong correlation between passenger vehicle financial leasing sector and automobile sales, the fluctuations in the automotive industry as a whole will have a negative impact on the financial leasing business of the Company upon completion of the Transaction.

In addition, since the market concentration of domestic automobile dealership industry remains low, industry integrations are the development trends of the automobile dealership sector, market competition will become increasingly fierce and industry structure will change. In the meantime, with development of new technologies, innovative business models constantly emerge, which may impact the automotive service sector. If CGA and Baoxin Auto fail to adapt to the market trends and changes in customer needs or timely respond to the impact of new business models, intensifying market competition may pose certain impact on the Company's competitiveness in the passenger vehicle dealership and service sectors.

Furthermore, regional macro-control policies on automotive industry will pose certain impact on local vehicle dealership sector. In recent years, local governments have stepped up their efforts to control automobile exhaust pollution and urban congestion, and introduced a series of policies on automobile emissions and displacement, traffic restrictions based on vehicle type and the last digit of license plate numbers, parking fee increases and license control. Currently, Baoxin Auto’s sales business focus primarily on economically developed regions in China, where local governments face relatively greater pressure on controlling automobile exhaust pollution and urban congestion. Therefore, such policies currently have produced certain impact on Baoxin Auto. If such policy pressure is further increased in the areas covered by Baoxin Auto’s marketing network in the future, it may have negative impact on the operating results of Baoxin Auto.

(III) Risk relating to dealership granted by automakers and brand reputation

Pursuant to relevant requirements of the Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》), automobile dealers must obtain authorization from automakers before they carry out sales activities of vehicles (other than special-purpose vehicles). Baoxin Auto carries out its business through entering into dealership contracts with automakers. Such contracts usually set out the restrictive requirements of relevant automakers such as investment size, staffing, technical services, service quality, change of control and non-competition restrictions, and may be renewed upon mutual agreement of both parties or automatically renewed after expiry. If an automobile dealer fails to meet the requirements imposed by relevant automaker, the automaker may cancel or terminate cooperation with such automobile dealer. Though Baoxin Auto has maintained good partnership with major automakers, if its dealership is terminated by any relevant automaker in the future due to its failure to meet the requirements of such automaker, or any dealership contract is not renewed by relevant automaker upon expiry, the operations of Baoxin Auto may be affected to certain extent. In addition, should any adjustment be made to the Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》) and other relevant regulatory requirements in the future, the brand licensing-based business model of the automobile dealership sector may change accordingly, which may pose challenges to the future development of Baoxin Auto and affect the value of franchise rights held by Baoxin Auto, thus resulting in impairment losses.

Furthermore, the automobile dealership sector is susceptible to the impact of upstream automotive manufacturing industry. If any automaker does not comply with applicable laws, rules and regulations, or its products have serious quality defects, or there arise political frictions between its home country and China, or its R & D and production activities are interrupted due to force majeure, in each case, severely affecting its product supply or brand reputation, there may cause certain adverse impact on the automobile dealers of such brand. Though Baoxin Auto primarily sells automobiles of high-end luxury brands which enjoy good market reputation and strong anti-risk capability, Baoxin Auto is unable to control the operating activities of automakers and other suppliers, and thus cannot guarantee that there will be no occurrence of any circumstance that would affect the product supply or brand reputation of automakers or other suppliers due to abovementioned factors in future cooperation. The occurrence of any such circumstance may pose certain impact on relevant brand dealership business of Baoxin Auto.

(IV) Risk relating to defects of certain properties

Some of the properties owned or occupied by Baoxin Auto have certain defects due to non-compliance in terms of their uses and nature, or lack of certain ownership documents or incomplete leasing procedures. As at 30 September 2015, 40.85% of the aggregate area covered by the use rights of the land owned or otherwise occupied by Baoxin Auto and its subsidiaries has various legal defects, and 61.99% of the aggregate GFA of the buildings owned or otherwise occupied by Baoxin Auto and its subsidiaries has various legal defects. It is common in the industry that buildings and land used by automobile dealers for business purposes have non-compliance issues in terms of nature and uses and other aspects, and according to the statement of Baoxin Auto, it has not received any written notice from competent administration authorities ordering it to return the land or dismantle the buildings. However, there remain risks that Baoxin Auto may be ordered to return the land or be penalized, or be demanded to relocate its business premises by competent administration authorities, which in turn would affect the sustainability of Baoxin Auto.

As the Controlling Shareholder of the Company, Guanghui Group undertakes that “in case that, upon Baoxin Auto having become a subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming subsidiaries of CGA, Guanghui Group agrees to bear and indemnify Baoxin Auto or its subsidiaries from any losses, damages, claims, costs and expenses caused, incurred, or suffered by CGA, Baoxin Auto or its subsidiaries arising from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities".

(V) Risk relating to business integration

Acquisition has always been an important initiative for the Company to expand its passenger vehicle dealership and service network, and the Company has fairly strong merger and acquisition capacities and experience. During 2011 to 2014, the Company obtained control over 56 companies through acquisition, and secured 193 dealership service outlets (amongst which 162 are 4S stores).With its own outstanding acquisition and merger capacities following acquisition, CGA implemented the "100-Day Integration Scheme" for all acquired stores, and completed various in-phase work, including integration and establishment of management teams, operating systems, introduction of service standards, determination of budget targets, and formulation of store improvement, which in return comprehensively enhanced the store operation and performance level. As a result of platform-based acquisitions, CGA can quickly enter new markets, secure rare and premium marketing network resources, and swiftly establish its own regional advantages, thereby fully benefiting from the fast growth of the domestic auto market.

Baoxin Auto, the Target Company under the Transaction, primarily operates a portfolio of luxury and ultra-luxury automobile brands including BMW, Land Rover, Jaguar, Ferrari and Maserati, with most of its outlets distributed across Yangtze River Delta region, Northeastern China, Northern China and Eastern China, and having a strong market presence in first-tier cities such as Beijing and Shanghai. Baoxin Auto is highly complementary with CGA in terms of brand portfolio and network distribution. The Transaction, upon completion, will allow CGA to further optimize its brand portfolio and improve its nationwide dealership and service network distribution. CGA will make full use of the complementary advantages of the Listed Company and the Target Company in brands, channels, management, operation and other aspects to integrate resources, so as to achieve synergies, maintain and boost the competitiveness of the Target Company and bring these comprehensive competitive edges into play.

As the Target Company of the Transaction has a large number of outlets, it will take time for CGA to fully integrate sales, manpower, management and other aspects. As such, there is risk that the Company may not be able to complete business integration within a short period. Upon completion of the Transaction, Baoxin Auto's current Chairman and executive director Mr. Yang Aihua, and executive directors Mr. Yang Zehua and Mr. Yang Hansong will no longer serve the said positions, and certain key management members of the Target Company and its subsidiaries might resign from their current positions. If the Company fails to appoint qualified and competent persons to replace them in a timely manner, it may pose adverse impact on its strategic decision-making and operation and management. In addition, if CGA fails to adapt its operation and management to the changes in additional outlet distribution, brand portfolio and business size upon completion of the Transaction, or there arise material obstacles to the continuing business integration between CGA and the Target Company, the synergies the Transaction aimed to achieve may not be realized.

In summary, despite the fact that the Company has fairly strong acquisition and merger capacities and experience, there is uncertainty as to whether the business integration would proceed as scheduled or achieve the expected synergies upon completion of the Transaction. This Transaction is subject to the unsatisfactory business integration risk to certain extent, which may pose adverse impact on the future operating results of CGA.

(VI) Risk of goodwill impairment

The Transaction will result in a large amount of goodwill for CGA. Pursuant to the PRC Accounting Standards for Business Enterprises Guidelines No. 20- Business Merger, for a business combination under common control, the acquirer on the date of acquisition determines its value based on the fair values of various identifiable assets and liabilities of the acquire through combination, and determines the excess of the combination cost over the fair value of the acquiree's identifiable net assets acquired, which shall be recognized as goodwill or losses for the current period. Whether or not there is indication that goodwill is impaired, CGA is required to perform impairment test on goodwill annually. If the trading position of the Target Company deteriorates in the future, goodwill may be impaired, which in turn may have a negative impact on the current profit or loss of CGA.

According to the proposal of this Transaction, CGA proposes to, subject to the satisfaction or where applicable, waiver of the pre-conditions, make (though CGA (Hong Kong), a wholly-owned subsidiary of CGA) a pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the shares and take control of Baoxin Auto (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1293). The consideration for the Transaction will be settled in cash at the Offer Price of HK$5.99 for each share of Baoxin Auto and HK$0.266 for each Share Option. The aggregate cash consideration payable by the Offeror under the Offers (assuming no Share Options having been exercised) will be approximately HK$11,491,823,815.29 ,equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HKD against RMB on 4 December 2015, i.e., HK$1=RMB0.82386). As at 30

September 2015, the unaudited net assets of the Baoxin Auto attributable to the parent was approximately RMB4,977,410,000 (as calculated on the basis of the 75% shares to be acquired, the unaudited net assets of the Baoxin Auto attributable to the parent was approximately RMB3,733,057,500). As a result, a large amount of goodwill will be recorded in the combined financial statements of CGA after the completion of this Transaction.

In accordance with the requirements of the PRC Accounting Standards for Business Enterprises Guidelines No. 20- Business Merger, for business merger not under the common control, the fair value of all identifiable assets and liabilities acquired by the acquirer from the acquiree on the acquisition date in the merger is accounted for, with the difference established between the cost of business merger and fair value of the identifiable assets acquired from the acquire to be recognized as goodwill or through current gain or loss. The acquisition date refers to the day on which the acquirer acquired the control over the acquiree, being the date on which the control is transferred in the course of business merger. As at the date of this Report, CGA had not yet completed the Transaction and therefore cannot exercise control over Baoxin Auto, nor can it confirm the acquisition date, and therefore cannot recognize the fair value of its identifiable net assets by conducting an assessment on the identifiable assets and liabilities of the acquiree as at the acquisition date in accordance with the requirements of PRC Accounting Standards for Business Enterprises Guidelines - Business Merger. As a result of the foregoing, CGA cannot precisely calculate the amount of goodwill to be generated upon completion of the Transaction as at the date of this Report.

In accordance with the requirements of the Accounting Standards for Business Enterprises, GCA will upon obtaining the control over the acquiree conduct evaluation on the identifiable assets and liabilities of the Target Company at the acquisition date. The fair values of such evaluated identifiable assets and liabilities shall be recorded directly in the combined financial statements as their carrying amounts, and the difference between the aggregate costs paid by CGA for the acquisition and fair value of identifiable net assets acquired will be recognized as goodwill.

(VII) Risk relating to pending litigations

As at the date of issuing this Report, the pending material litigations (above RMB5 million) involving the Target Company or any of its subsidiaries are set out below:

1. Suzhou Baoxin Automobile Sales & Services Co., Ltd.（苏州宝信汽车销售服务有限公司）, a subsidiary of the Target Company in the PRC, acquired the entire equity interest of Zhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) from Zhong You Hang Holdings Limited (中油航控股有限公司). Upon completion of the acquisition, it found out that Zhong You Hang Holdings Limited (中油航控股有限公司) withheld the fact that the land with an area of approximately 17 mu owned by Zhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) is designated for forestation purpose and thus cannot be used for its intended purpose. Consequently, Suzhou Baoxin Automobile Sales & Services Co., Ltd.(苏州宝信汽车销售服务有限公司）has filed a lawsuit against Zhong You Hang Holdings Limited (中油航控股有限公司) seeking compensation of approximately RMB26,000,000;

2. Beijing YanHao Auto Sales & Service Co., Ltd. (北京燕豪汽车销售服务有限公司) ("Beijing YanHao"), a subsidiary of the Target Company in the PRC, entered into a lease agreement and supplemental agreement with Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) for the leasing of the No. 215 land lot located at Zhangyi village, Fengtai District, Beijing to establish a Volvo 4S store. However, it turned out that the land lot is designated for forestation purpose and thus cannot be used for its intended purpose. As a consequence, Beijing YanHao has filed a lawsuit demanding the termination of the agreement, refund of rentals and accrued interest thereon and compensation totaling approximately RMB61,300,000, while Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) lodged a counterclaim against Beijing YanHao alleging breach of the agreement and demanding liquidated damages of approximately RMB17,800,000.

3. Industrial Bank Co., Ltd. Jincheng Branch brought a suit against Jincheng Tangrong Industry Co., Ltd. (晋城市唐荣实业有限公司) (a subsidiary of the Target Company) and 6 guarantors (including Jincheng Tangdi Auto Sales and Services Co., Ltd. (晋城市唐迪汽车销售服务有限公司)) for its failure to make timely payment for the bills payable under two commercial bill acceptance agreements entered into between them, demanding the payment of the principal amount and accrued interest thereon totaling approximately RMB8,130,000.

4. On 28 March 2013, Shanghai Baoxin Automobile Sales & Services Co., Ltd. (上海宝信汽车销售服务有限公司) ("Shanghai Baoxin") entered into a cooperation agreement with Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司), pursuant to which both parties would jointly establish and operate a Jaguar & Land Rover 4S store in the Zone C5 at the middle section of Fengcheng 5th Road. However, due to disputes arising from their disagreement over the cooperation, both parties have filed lawsuits against each other, Shanghai Baoxin demanding the refund of fixed income, deposit for cooperation and interest on late payments totaling RMB2,871,600, and Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司) demanding the refund of gains and interest on late payments totaling RMB6,955,000.

If defeated as a defendent in above litigations, the Target Company may be required to bear penalties, compensation or legal costs of the Counterparties, which would pose certain impact on the production and operations of the Target Company.

III. OTHER RISKS

(I) Risk of fluctuations in share price

The fluctuations in share price of the Company not only depend on the operating results of the Company, but are affected by macro-economic cycles, interest rates, exchange rates, capital supply and demand, as well as international and domestic political and economic conditions and investors' psychological factors. Investors are advised to be aware of the risks involved and make right investment decisions. The Company will strictly comply with the Company Law, Securities Law and other applicable laws and regulations and duly perform its obligations of information disclosure, so as to safeguard investors' interests. Investors are advised to be cautious about the investments risks and make prudent investments.

(II) Risk of exchange rate fluctuations

As the Target Company is listed on the Hong Kong Stock Exchange, the Target Company has overseas loans and issuance of US$-denominated bonds during its usual course of operations. Furthermore, the consideration for the Transaction will be made in Hong Kong dollars, while the consolidated financial statements of CGA are presented in RMB. With the fluctuations in exchange rate between RMB, Hong Kong dollars and US$, there may be risk of exchange rate fluctuations for the Transaction.

(III) Other risks

The Company does not rule out the possibility of other adverse effects that may be brought about by other uncontrollable factors such as politics, economy and natural disasters.

SECTION I OVERVIEW OF THE TRANSACTION

I. BACKGROUND AND PURPOSE OF THE TRANSACTION

(I) Background of the Transaction

1. Rapid development of the passenger vehicles industry in the PRC with promising market prospect in the future

Passenger vehicles are automobiles with less than nine seats, specially designed to carry passengers and their belongings, which mainly cover sedans, multi-purpose vehicles (MPVs), sport utility vehicles (SUVs) and other types of vehicles. Over recent years, with the fast economic growth of the PRC and the rapid promotion of the per capita consumption level, passenger vehicles have turned from “luxury goods” to “consumer goods”, and have gradually stepped into the daily life of normal entities and the general public. In order to better accelerate the development of the passenger vehicles industry and to promote the living standards of citizens, the Ministry of Commerce, the Ministry of Industry and Information Technology and other competent authorities have successively introduced a series of guidance documents since 2009, such as the Opinions on Promoting the Consumption of Automobiles (《关于促进汽车消费的意见》) (Shang Jian Fa [2009] No.114), the Automobile Industry Adjustment and Revival Plan (《汽车产业调整和振兴规划》), the Circular on the Matters Concerning the Adjustment of Subsidiary Standards for Automobile Replacement (《关于调整汽车以旧换新补贴标准有关事项的通知》) (Cai Jian [2009] No.995) and the Guidance Opinions on Promoting the Development of Automobile Circulation Industry under the Twelfth Five-Year Plan (《关于促进汽车流通业「十二五」发展的指导意见》) (Shang Jian Fa [2011] No. 489), to increase the support to the consumptions of automobiles.

Against this backdrop, the consumptions of passenger vehicles of the PRC have grown very fast. According to the data from China Association of Automobile Manufacturers, the sales of passenger vehicles of the PRC achieved an annual compound average growth rate of 9.39% over the past five-year period, far higher than the average growth rate of 4.04% globally, with its sales volume always leading the pack in the world; the total sales volume of passenger vehicles nationwide amounted to 19,700,600 units throughout 2014, exceeding that in the European and American markets combined. However, the PRC automobile market is currently still at the stage of upgrade and expansion, compared to the decades of development of overseas passenger vehicle markets, the automobile per capita remains far less than the average levels of the developed countries such as Europe, US and Japan and the world; from the perspective of the pattern of consumption, a majority of Chinese consumers of automobiles are those who purchase cars for the first time, while the sales volume generated from the demand for replacement in the established passenger vehicles market accounted for 70% to 80% over the same period. As a result of foregoing, although the PRC passenger vehicle market has developed rapidly, the demand has been far from saturation with a bright development prospect in the future.

2. The passenger vehicle dealership and services industry is facing overall market consolidation with merger and acquisition opportunities constantly emerging within the industry

Over recent years, although the domestic automobile dealership and services industry has become increasingly matured, the existing conditions of lower concentration and disperse operation of the industry has not been substantially changed. In the course of ordinary operation, large dealership and services groups are in a better position to keep abreast of the development trend of the industry and respond to the volatility of the industry by capitalizing the economies of scale and synergies. As a result, the landscape of “strong players becoming stronger” of the passenger vehicle dealership and services market is gradually taking shape, and the entire industry has ushered in a period of full integration with merger and acquisition opportunities constantly emerging within the industry.

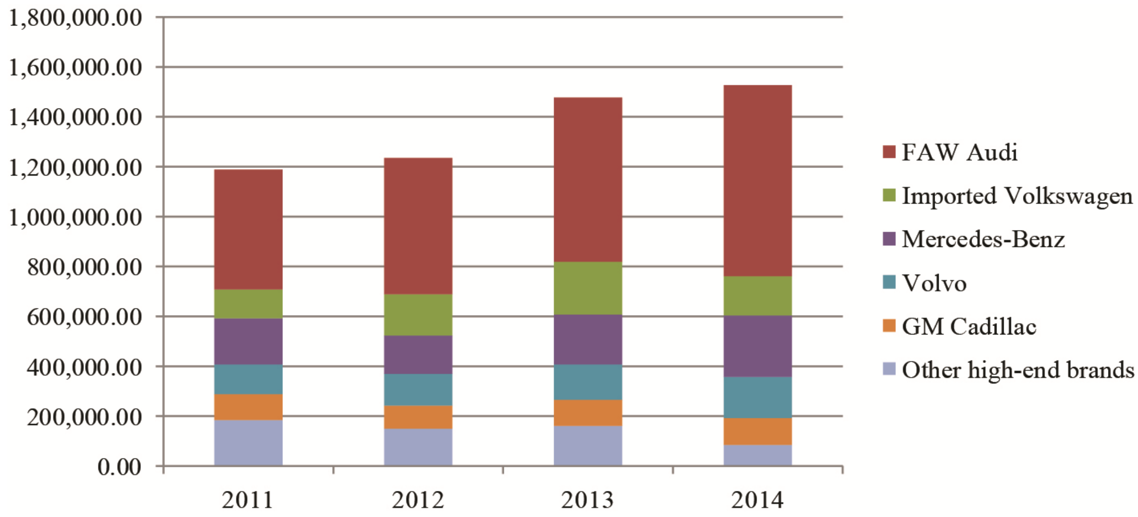
Given the scarcity of the regional distribution of the automobile dealership outlets and the brand authorization as well as the relatively long period required for accumulation of customers and building of markets, apart from newly-built projects, large automobile dealers have to rely upon merger and acquisition methods to achieve the expansion of their dealership network. By combination of acquisition and new construction, CGA has quickly acquired new markets, expanded marketing network and cemented its market position in recent years. CGA operates nearly 50 middle- and high-end passenger vehicle brands in its automobile dealership brand coverage, almost covering all mainstream brands in the PRC passenger vehicle market.

Amidst the significant historical period when the passenger vehicle dealership and services industry undergoes a comprehensive consolidation, CGA, as a leading passenger vehicle dealership and service group in the PRC, should seize the opportunity and launch industry consolidation to better enhance its comprehensive strengths. Looking ahead, the Company will further advance the expansion of the layout of the passenger vehicle dealership and services industry, expand the synergies of business, sharpen the comprehensive competitive edge of the Company and maintain and consolidate its own leading position in the passenger vehicle dealership and services field, thus laying a sound foundation for the long-term development of the Company.

(II) Purpose of the Transaction

1. Optimizing the brand portfolio of the Company to expand the coverage of high-end passenger vehicle dealership brands

Mid-to-high-end passenger vehicles are strongly supported by huge demand in the PRC market. CGA has also strategically focused on the development of mid-to- high-end passenger vehicle brands in recent years and has won considerable market presence in the PRC mainstream dealership markets of middle- and high-end passenger vehicle brands. Since 2012, the percentage of CGA's sales of middle- and high-end brands has always maintained at a level above 95%, among which about 20% are high-end brands sales. The breakdown of revenue generated from sales of respective high-end brands of CGA in recent years is set out below:



Despite the stronger customer loyalty and profit potential of high-end brands, the Company currently remains focused more on brands such as Audi, Benz, and imported Volkswagen than brands such as BMW, Jaguar & Land Rover and Maserati which the Company has a weaker customer base, due to the policies and strategic emphasis on development of automobile manufacturers in the past. In order to maintain the leading position in the domestic passenger vehicle dealership and services field, to expand its own dealership network and to consolidate its own customer base, the Company needs to further optimize its brand portfolio and strengthen its multi-brand layout in the high-end automobile field.

The Target Company is mainly engaged in the sales of high-end brand passenger vehicles, such as BMW, Jaguar & Land Rover, Maserati and Ferrari and is a leading high-end brand passenger vehicle dealership enterprise and the largest BMW brand dealer in the PRC, the high-end brand portfolio of which is highly complementary with that of CGA. The Listed Company will secure quality resources in the area of high-end passenger vehicle dealership and services through the Transaction, which will help the Company further optimize its corporate brand portfolio and to better satisfy customers' needs.

2. Optimizing the regional layout of the Company to perfect the nationwide operational dealership and service network

CGA has currently become a leading passenger vehicle dealership and service provider in the PRC. The Company has formed its leading market position in China's central and western regions as it has long strategically focused on its dealership efforts in these regions with huge economic development potential and rapid growth of the passenger vehicle market. Since 2012, the sales revenue of CGA as a percentage of the total sales revenue in the central and western regions has been maintained at about 80%. Based on the current market scale and the advantages in the comprehensive business services, the Company can further expand the dealership network layout, thus more effectively exerting scale advantages and synergies to enhance the operational efficiency.

The Target Company operates an extensive network of service outlets mainly located in, Yangtze River Delta region, Northeast China, Eastern China, and Northern China and outlets in Zhejiang, Jiangsu, Shanghai, Beijing, Tianjin, Liaoning, etc., represent about 80% of the total outlets, which has formed sound complementary relationships with the outlet distribution of CGA which mainly concentrates in China's central and western regions. The Listed Company will secure quality resources in the area of outlet network distribution through the Transaction, which will help improve the distribution of its dealership and service outlets and further expand its advantageous businesses in the aftermarket industry value chain, such as financial leasing and pre-owned automobile trading, to the economically strong eastern China regions so as to allow the "CGA" automobile brand to have a nationwide presence.

3. Promoting the implementation of the strategic planning of the Company to maintain the leading position in the field of passenger vehicle dealership and services

CGA is a leading passenger vehicle dealership and automobile service provider group as well as a leading passenger vehicle financial leasing service provider in the PRC. The business scope of CGA covers the entire life cycle of automobile sales and after-sale services and it can provide a package of passenger vehicle service businesses including automobile sales, lease, repair and maintenance, insurance and financing agent, automobile extended warranty and pre-owned automobile trading brokering services. As a leading passenger vehicle dealership and services and sales group, the largest passenger vehicle financial leasing service provider and the largest pre-owned automobile trading broker among automobile dealers in the PRC, CGA boasts a broad dealership network and customer base.

This acquisition of Baoxin Auto is an important move taken by the Company for business expansion by way of acquisition and merger, which is in line with the strategic purpose of the Company for industry integration. The Listed Company will further optimise its brand portfolio, improve its nationwide dealership and service network and promote its existing modern operation and management system and advanced dealership and service model (e.g., financial leasing) at the established outlets of Baoxin Auto, thereby better exerting synergies and maintaining CGA's leading position in the field of passenger vehicle dealership and services.

II. DECISION-MAKING PROCESS OF THE TRANSACTION

(I) Decision-making process of the Transaction performed

On 11 December 2015, the Company held the fifth meeting of the 6th session of the board of directors and passed the relevant proposals for the Transaction.

(II) Approval procedures of the Transaction to be performed

The Transaction shall take effect upon the following conditions are satisfied, i.e., the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the following pre-conditions:

1. a filing having been submitted to and formally accepted by MOFCOM made under the Anti-Monopoly Law of the PRC and the Partial Offer and Option Offer having been cleared or, through the expiration of the relevant statutory time periods for review by MOFCOM, having been deemed to have been cleared by MOFCOM under the Anti-Monopoly Law of the PRC, with or without conditions, on terms satisfactory to the Offeror;

2. with respect to the Offeror, the obtaining of approvals or authorizations of, the making of the necessary filings and registrations with, and notifications to, the NDRC, Shanghai Municipal Commission of Commerce of the PRC or departments delegated by it, the Shanghai Stock Exchange and qualified banks approved by SAFE for foreign exchange in connection with the Offers, each on terms reasonably acceptable to the Offeror;

3. the shareholders of CGA passing resolutions at a general meeting to approve the Offers by a majority of not less than two-thirds of the votes cast by the shareholders of CGA present at such general meeting (in person or by proxy) in accordance with the "Administrative Measures for the Major Asset Restructuring of Listed Companies" (《上市公司重大資產重組管理辦法》) issued by the CSRC;

4. the consent of the relevant lenders under the Facility Agreements for the change in the ultimate controlling shareholder(s) of the Target Company being obtained or waived or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder(s) or senior management of the Target Company under the Facility Agreements, in each case, on terms acceptable to the Offeror and such consent or waiver, as applicable, remaining in full force and effect without material variation;

5. consent from the Executive in respect of the Partial Offer and the Option Offer pursuant to Rule 28.1 of the Code being obtainedand such consent remaining in full force and effect;

6. the Target Company having delivered a certificate to the Offeror certifying that there has been no change, fact, event or circumstance of Baoxin Auto which has had or would reasonably be expected to have a material adverse effect on the financial position or operations of the Target Company taken as a whole since 30 September 2015 up to and including the time when the last of the pre-conditions set out in items 1 to 5 above is satisfied, or where

applicable, waived, provided that in no event shall any change, fact, event, or circumstance, individually or in the aggregate, constitute or be taken into account in determining the occurrence of a material adverse effect if such material adverse effect relates to (i) changes in general or economic conditions in Hong Kong, the PRC or jurisdictions relevant to the business of the Target Company, (ii) changes in the credit, debt, financial or capital markets or changes in interest or exchange rates, in each case, in Hong Kong, the PRC or jurisdiction relevant to the business of the Target Company, (iii) changes in conditions generally affecting the industry in which any member of the Target Company operates, (iv) any outbreak or escalation of any military conflict, declared or undeclared war, armed hostilities, or acts of foreign or domestic terrorism, and (v) any hurricane, flood, tornado, earthquake or other unusual disaster; and

7. all warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking remaining true and accurate in all material respects and not misleading in any material respect up to and including the time when the last of the pre-conditions set out in items 1 to 6 above is satisfied or, where applicable, waived, or if there has been a material breach of the warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking such breach having been remedied by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid within 30 days of the Offeror first notifying them of such breach.

The Offeror reserves the right to waive pre-conditions 4, 6, and 7 above, either in whole or in part. Pre-conditions 1, 2, 3 and 5 cannot be waived by the Offeror.

There are uncertainties as to whether the above pre-conditions could be satisfied and therefore investors are advised to pay attention to investment risks.

III. DETAILED PROPOSAL OF THE TRANSACTION

(I) Basic information of the Offers

1. Basic information of the Offers

Purchaser: China Grand Automotive Services, Co., Ltd

Acquisition Vehicle (Offeror): China Grand Automotive Services (Hong Kong) Limited

Target Company: Baoxin Auto Group Limited.

Potential Counterparties of the Transaction: Qualifying Shareholders and Optionholders of the Target Company

Method of the Transaction: the pre-conditional voluntary cash Partial Offer and the Option Offer by CMB International on behalf of China Grand Automotive Services (Hong Kong) Limited to acquire up to 75% of the shares of Baoxin Auto from the Qualifying Shareholders of Baoxin Auto and cancel up to 75% of the outstanding Share Options held by the Optionholders

Consideration of the Transaction: Assuming full acceptance of the Partial Offer in respect of 1,917,983,571 Shares and the Option Offer in respect of 11,662,500 Share Options, the aggregate cash consideration payable by the Offeror under the Offers will amount to approximately HK$11,491,823,815.29 (assuming no Share Options are exercised), equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HK$ against RMB on 4 December 2015, i.e. HK$1 = RMB0.82386).

2. Pre-conditions to the Offers

The official making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the pre-conditions. For such pre-conditions of the Offers, please see the section headed "(II) Approval procedures of the Transaction to be performed" under "II.DECISION-MAKING PROCESS OF THE TRANSACTION":

3. Conditions of the Offers

Upon the above pre-conditions having been fulfilled or, where applicable, waived, the Offeror will make the Partial Offer. The conditions of the Partial Offer are set out below.

(1) The Partial Offer will be conditional upon valid acceptances of the Partial Offer being received in respect of a minimum of 1,286,430,716 shares (representing 50% of the issued share capital of the Target Company on an as converted basis as at the date of the Joint Announcement (assuming that all Share Options of the Target Company are exercised) plus one share) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve), provided that the Offeror shall purchase as many shares as are tendered by the Qualifying Shareholders up to a maximum of 1,917,983,571 shares (representing 75% of the shares in issue as at the date of the Joint Announcement) or such higher number of shares (representing 75% of the shares in issue (including any shares for which a valid notice of exercise has been delivered in respect of a Share Option on or after the date of the Joint Announcement and on or before the Final Closing Date) as at the Final Closing Date) from the Qualifying Shareholders.

(2) the condition for the Option Offer to take effect: the Option Offer may be declared unconditional if the Partial Offer is being declared unconditional in all respects.

(II) Arrangement for the corporate governance of the Target Company

Upon completion of the Transaction, Baoxin Auto will continue to engage in its existing businesses, while CGA intends to maintain the existing brands and business model of Baoxin Auto. Currently, CGA has no material plan for the disposal or redeployment of the assets of Baoxin Auto, nor has any plan for the dismissal of the staff not involved in the daily operation of Baoxin Auto. CGA undertakes that within twelve months from the Final Closing Date of the Offers, it will:

(i) not terminate the employment of any persons who are employees of Baoxin Auto as at the Final Closing Date (each referred to as an “Employee”), save where (a) any relevant member of the group has grounds to dismiss an Employee without notice pursuant to Section 9 of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) or the equivalent applicable law; (b) an Employee is in material breach of any term of his or her employment contract with the such member of the group; or (c) an Employee is terminated by reason of retirement;

(ii) ensure that employee benefits for all Employees (whether or not they form part of the terms of the Employees’ employment) will, in material respects, continue to be no less favourable to the Employees than they were immediately prior to the Final Closing Date in general; and

(iii) honour the terms of each Employee’s employment contract, including any extensions of employment contracts which have been entered into between relevant member of the group and any Employee before the date of the Irrevocable Undertaking Agreement, even where that Employee has passed normal retirement age.

In the future, CGA may decide to consolidate or rearrange the development of the concrete businesses of the Target Company against the actual conditions of Baoxin Auto to serve the purposes of optimizing the results of operation of the Target Company and enhancing the synergies and synergy performance of the Offers.

Upon completion of the Transaction, Mr. Yang Aihua, the current Chairman and executive director of Baoxin Auto, Mr. Yang Zehua, an executive director, and Mr. Yang Hansong, an executive director, will no longer serve the above positions; in the future, Baoxin Auto will re-elect its directors in accordance with the Code and the relevant requirements of the SFC when and if appropriate.

IV. IMPACT OF THE TRANSACTION ON THE LISTED COMPANY

The Transaction represents an acquisition of assets by the Listed Company in cash and does not involve any issuance of shares. Upon completion of the Transaction, the shareholding structure of the Listed Company remains unchanged.

Since the acquisition of the Target Company is yet to be completed, it is difficult for the Company to obtain the detailed financial information of the Target Company prepared under the PRC Accounting Standards for Business Enterprises and perform audit thereon and it is also not in a position to prepare a pro forma consolidated financial report. By integrating the premium automobile dealership service assets into its current business through the Transaction, the Listed Company will create sound synergies in terms of brand coverage, geographic distribution, and business. The Transaction, upon completion, will allow CGA to further optimize its brand portfolio, improve its national dealership and service network, and fully promote its advanced dealership and service mode such as the established modern operation management system and financial leasing to the existing outlets of Baoxin Auto, so as to achieve synergies and maintain the leading position of CGA in the field of passenger vehicle dealership and service.

SECTION II BASIC INFORMATION OF THE LISTED COMPANY

I. CORPORATE PROFILE

Company Name	China Grand Automotive Services, Co., Ltd
Stock Name	CGA
Stock Code	600297
Stock Exchange for Listing	Shanghai Stock Exchange
Establishment Date	30 July 1999
Registered Capital	RMB 5,500,400,678
Legal Representative	Li Jianping
Registered Address	9 Yingsheng Road, Ganjingzi District, Dalian City
Correspondence Address	Zhangjiang Integrated Circuit Industry Zone, Building 19, Phase II, 1388 Zhangdong Road, Pudong New District, Shanghai
Postal Code	200123
Board Secretary	Wang Ben
Unified Social Credit Code/ Registration Number	912102003411090040
Contact Number	021-61690533
Fax	021-61341259
E-mail Address	ir@chinagrandauto.com
Business Scope	sales of automobiles and related components, sales of pre-owned automobiles, automobile maintenance, automobile insurance agency, import and export of automobiles and related components; automobile servicing, automobile decoration and styling, vehicle leasing, and automobile information consultancy (shall obtain approval from relevant authorities before commencing operation activities for items subject to prior approval)

II. CORPORATE HISTORY AND DEVELOPMENT

(I) Establishment and listing of the issuer

1. Establishment in 1999

CGA, formerly known as "Merro Pharmaceutical Co.,Ltd.", was established as a joint stock company on 30 July 1999 by Dalian Pharmaceutical Group Limited*(大连医药集团公司) (formerly known as Merro Group Limited*(美罗集团有限公司) ("Merro Group")) as the lead sponsor in conjunction with Kaifei High Tech Development Center of Dalian Economic and Technological Development Zone, Dalian Kingsman Pharmaceutical Technology Development Co., Ltd., Desheng International Trading Limited*(德生国际经贸易有限公司) in Dalian Bonded Area, and Dalian Tangxing Automobile Maintenance Limited* (大连唐兴汽车维修有限公司), subject to the "Replies to the Approval of the Establishment of Merro Pharmaceutical Co.,Ltd. in Dalian" (Dalian Government [1999] No. 115 Circular) by the People's Government of Dalian City.

2. Listing in 2000

Following the approval by China Securities Regulatory Commission under Zheng Jian Fa Xing Zi [2000] No. 132 on 12 October 2000, Merro Pharmaceutical issued to the public 40 million ordinary shares denominated in RMB at a price of RMB 9.80 per share. The outstanding shares were listed on Shanghai Stock Exchange on 16 November 2000 under the stock name of "Merro Pharmaceutical". Its stock code is 600297. Following completion of such issuance, the Company's total share capital was changed to 115 million shares.

(II) Changes of share capital of the issuer

1. Equity Distribution Reform in 2006

In July 2006, Merro Pharmaceutical convened the first 2006 extraordinary general meeting, whereby considering and approving the reform scheme for equity distribution to all shareholders through undistributed profits. Based on the total share capital on the record date when the equity distribution reform scheme was implemented, Merro Pharmaceutical distributed to all shareholders registered on such record date as the said scheme was implemented RMB 0.068938504 (including tax) in cash in the proportion of every ten shares for 1.913043478 bonus shares. According to the dividend distribution, the total bonus shares amounted to 22 million shares with the cash amount of RMB 792,792.80.

Shareholders of non-listed shares paid their receivable cash and share certificates to those shareholders of listed shares as part of the consideration for the equity distribution reform. Shareholders of listed shares in fact may be entitled to 5.5 shares for every ten shares. Following completion of such equity distribution reform, the Listed Company's total share capital was changed to 137 million shares.

2. Private Placement in 2008

In accordance with the "Replies to the Approval of Private Placement by Merro Pharmaceutical Co.,Ltd. in Dalian" (CSRC Permit [2008] No. 441 Circular) by China Securities Regulatory Commission on 28 March 2008, Merro Pharmaceutical issued to Merro Group 38 million A-shares through private placement. On 15 April 2008, China Securities Depository and Clearing Corporation Limited, Shanghai Branch completed the registration formalities and lock-up procedures. Following completion of such private placement, Merro Pharmaceutical's total share capital was changed to 175 million shares.

3. Conversion of capital reserve to registered capital in 2009

In May 2009, Merro Pharmaceutical convened its 2008 annual general meeting, whereby considering and approving the "2008 Scheme for Profit Distribution and Conversion of Capital Reserve to Registered Capital". Based on the total share capital of 175 million by the end of 2008, shareholders received 10 new shares for every ten shares they held. On 8 June 2009, registration of such new shares with China Securities Depository and Clearing Corporation Limited, Shanghai Branch was completed. Following completion of such conversion of capital reserve to new registered capital, Merro Pharmaceutical's total share capital was changed to 350 million shares.

4. Major Asset Restructuring in 2015

In accordance with the "Replies to the Approval of Major Asset Restructuring of Merro Pharmaceutical Co., Ltd. and Asset Acquisition and Fundraising through Share Issuance to Xinjiang Guanghui Industry Investment Group Co., Ltd and Others" (CSRC Permit [2015] No. 1123 Circular) by China Securities Regulatory Commission on 3 June 2015, Merro Pharmaceutical swapped all of its assets and liabilities other than the available-for-sales financial assets as at the valuation base date with the 100% equity interests in Guanghui Limited(广汇有限) as held by Guanghui Group, China Grand Automotive （Mauritius） Limited (hereinafter referred to as "CGAML"), Yingtang Jingsheng Investment Partnership Limited *(鹰潭市锦胜投资有限合伙企, hereinafter referred to as "Yingtang Jingsheng"), Tianjin Zhenghe Shitong Equity Investment Fund Partnership* (天津正和世通股权投资基金合伙企业, hereinafter referred to as "Zhenghe Shitong"), Xinjiang Youyuan Equity Investment LLP* (新疆友源股权投资合伙企业（有限合伙）, hereinafter referred to as "Xinjiang Youyuan"), Blue Chariot Investment Limited (hereinafter referred to as "BCIL"), and Nanning Youngzhiquan Investment Management LLP*(南宁邕之泉投资管理中心（有限合伙）, hereinafter referred to as "Nanning Yongzhiquan") in total. As to the shortfall in the consideration for the target transaction between the parties, the Listed Company made the payment through a non-public issuance of shares in accordance with the proportion of the equity interest in Guanghui Limited(广汇有限) as held by all counterparties. Meanwhile, the Company raised supporting funds through non-public issuance of shares to specific targets on a price quote basis. Such eligible specific targets are less than ten, and the total proceeds raised thereupon did not exceed RMB 6 billion, representing no more than 25% of the total transaction amount. The supporting fund, after deducting issuance costs, would be used to acquire 16.67% of the equity interests in All Trust Leasing for the development of passenger vehicle financial leasing business. Following completion of this Transaction, the Listed Company's total share capital will be changed to 3,666,933,785 shares.

5. Conversion of capital reserve into share capital in 2015

In September 2015, the Company held the 4th extraordinary general meeting of 2015, at which the Resolution on the Proposal in Relation to the Conversion of Capital Reserve into Share Capital for the Interim Period of 2015 (《关于公司 2015 年中期资本公积金转增股本预案的议案》) was passed, pursuant to which, shareholders received five new shares for every ten existing shares they held on the basis of a total share capital of 3,666,933,785 shares as at 30 June 2015. Such new shares were listed on 17 November 2015. Following completion of such conversion of capital reserve to new registered capital, the total share capital of the Company was changed to 5,500,400,678 shares.

(III) Change of the name of the issuer

Following completion of the major asset restructuring on 18 June 2015, the Company filed an application for changing its name from "Merro Pharmaceutical Co., Ltd." to "China Grand Automotive Services, Co., Ltd" with the relevant administration for industry and commerce, and obtained a new business license from Dalian Administration for Industry and Commerce. Following application, the Company's stock name was changed from "Merro Pharmaceutical" to "CGA" with effect from 24 June 2015. The stock code remains unchanged, i.e., 600297.

III. CHANGES OF SHAREHOLDING RIGHTS IN THE LAST THREE YEARS

In 2015, the Company implemented its major asset restructuring. Following completion of such restructuring, the controlling shareholder and the de facto controller of the Company changed to Guanghui Group and Mr. Sun Guangxin, respectively.

IV. MAJOR ASSET RESTRUCTURE IN THE LAST THREE YEARS

(I) Approval procedures

1. On 16 September 2014, trading in the Company's shares was suspended upon the approval by Shanghai Stock Exchange.

2. On 4 December 2014, Guanghui Group, CGAML, Yingtang Jingsheng(鹰潭锦胜), Zhenghe Shitong (正和世通), Xinjiang Youyuan (新疆友源), BCIL, and Nanning Yongzhiquan(南宁邕之泉) performed their internal decision-making procedures, respectively, thus agreeing to participate in the Transaction through their respective interest in Guanghui Limited.

3. On 4 December 2014, Merro Group convened its board meeting, whereby approving the basic scheme for the Transaction.

4. On 4 December 2014, Guanghui Limited convened its general meeting, thus approving the basic scheme for the Transaction, as well as entering into the Equity Transfer Agreement with Tonghe Yunrui.

5. On 5 December 2014, the Listed Company convened the eighth meeting of the fifth session of the board meeting, whereby considering the "Report on the Major Asset Swap of Merro Pharmaceutical Co.,Ltd. and Asset Acquisition and Fundraising through Share Issuance and the Connected Transactions" and the relevant resolutions. In addition, the independent directors also expressed their independent opinions.

6. On 5 December 2014, the Listed Company and the relevant parties enter into the Agreement of Major Asset Swap and Share Issuance and the Profit Forecast Compensation Agreement in relation to the Transaction.

7. On 22 December 2014, the specific plan for the Transaction was approved at the first 2014 Extraordinary General Meeting of the Listed Company.

8. On 16 April 2015, the Listed Company convened the ninth meeting of the fifth session of the board meeting, whereby considering the Supplemental Agreement to the Profit Forecast Compensation Agreement. On the same day, the Listed Company and Guanghui Group entered into the Supplemental Agreement to the Profit Forecast Compensation Agreement in relation to the Transaction.

9. On 24 April 2015, MOFCOM in principle agreed to the Company's Scheme for Major Asset Swap and Asset Acquisition through Share Issuance according to the "Replies to the Approval of the Introduction of Overseas Strategic Investors to Merro Pharmaceutical Co.,Ltd." by the MOFCOM (Shang Zi Pi [2015] No. 280 Circular). As agreed, the Company issued 1,007,162,776 shares and 96,948,567 shares to CGAML and BCIL, respectively.

10. On 11 May 2014, conditional approval of such non-public issuance of the shares was granted by CSRC after its review.

11. On 3 June 2015, CSRC issued the "Replies to the Approval of Major Asset Restructure of Merro Pharmaceutical Co.,Ltd. and Asset Acquisition and Fundraising through Share Issuance to Xinjiang Guanghui Industry Investment Group Co., Ltd and Others" (CSRC Permit [2015] No. 1123 Circular), whereby approving the Major Asset Swap and the Asset Acquisition and Fundraising through Share Issuance.

(II) Specific restructuring plan

1. Major Assets Swap

The Listed Company intended to swap all of its assets and liabilities (other than available-for-sale financial assets) as at the valuation base date ("Outgoing Assets") for the aggregate 100% equity interests in Guanghui Limited held by Guanghui Group, CGAML, Yingtang Jingsheng(鹰潭锦胜), Zhenghe Shitong (正和世通), Xinjiang Youyuan (新疆友源), BCIL, and Nanning Yongzhiquan(南宁邕之泉) ("Incoming Assets"). The Outgoing Assets under the Transaction were taken up by Merro Group or third parties designated by it, and the consideration for the Outgoing Assets was satisfied by Merro Group with 30,000,0000 shares of the Company held by it.

Pursuant to the valuation conclusions set out in the Enterprise Value Valuation Report (Hu Dong Zhou Zi Ping Bao Zi (2014) No. 0999183) (《企业价值评估报告书》) issued by Orient Appraisal, the net assets of Guanghui Limited (i.e. the Incoming Assets) as at the valuation base date (i.e. 30 June 2014) were valued at RMB24,270 million, with a valuation surplus of RMB9,787 million and an appreciation rate of 67.58%. Based on the said the valuation and after deducting the amount of RMB692,750,000 for profit distribution by Guanghui Limited after the Valuation Base Date, the 100% equity interests in Guanghui Limited was determined by the parties to the Transaction upon negotiations to be RMB23,577,250,000.

Pursuant to the valuation conclusions set out in the Asset Valuation Report (Zhong Tian Hua Zi Ping Bao Zi (2014) No. 1350) (《资产评估报告》) issued byBeijing Zhongtianhua Assets Appraisal Co. Ltd.(北京中天华资产评估有限公司), the net assets of the Outgoing Assets as at the valuation base date (i.e. 30 June 2014) were valued at RMB748,855,800, with a valuation surplus of RMB10,530,100 and an appreciation rate of 1.43%. Based on the said the valuation and after deducting the amount of RMB692,750,000 for profit distribution by Guanghui Limited after the Valuation Base Date, the Outgoing Assets were priced by the parties to the Transaction upon negotiations at RMB749,000,000.

Under the above Major Assets Swap, the difference between the prices of the Incoming Assets and the Outgoing Assets is RMB22,828,250,000.

2. Acquisition of assets by way of issue of shares

The shortfall between the prices of the Incoming Assets and the Outgoing Assets under the above Major Assets Swap was satisfied by the Company by way of issuing shares to Guanghui Group, CGAML, Yingtang Jingsheng(鹰潭锦胜), Zhenghe Shitong (正和世通), Xinjiang Youyuan (新疆友源), BCIL, and Nanning Yongzhiquan(南宁邕之泉) in proportion to their respective shareholdings in Guanghui Limited.

3. Supporting funds raised from share issuance

To improve the performance following the restructuring, as well as enhancing the profitability and sustainable development of the Listed Company upon completion of restructuring, the Company raised supporting funds through non-public issuance of shares to no more than ten eligible specific targets on a price quote basis. The total proceeds raised thereupon did not exceed RMB 6 billion, representing no more than 25% of the total transaction amount. The supporting fund, after deducting issuance costs, would be used to acquire 16.67% of the equity interests in All Trust Leasing for the development of passenger vehicle financial leasing business.

4. Share Transfer

Merro Group transfers to Merry G-Bell Venture Capital (Limited Partnership) in Suzhou Industry Park and its enterprise under common control its 4.13% of the equity interests in the Listed Company following completion of the Transaction at a transfer price of RMB 8.40 per share, representing 90% of the average share price as quoted for the last 20 trading days prior to the date of announcing the resolution tabled at the eighth meeting of the fifth session of the board meeting of the Listed Company.

(III) Implementation

1. Delivery of Assets

As at 8 June 2015, Guanghui Limited was incorporated into the Listed Company upon changing its registration. Both parties in concern completed the delivery of 100% equity interests in Guanghui Limited. Upon completion of registration of changes, Guanghui Limited became a wholly-owned subsidiary of Merro Pharmaceutical. PricewaterhouseCoopers Zhong Tian LLP conducted a capital verification, and produced the Capital Verification Report (PwC Zhong Tian Yan Zi (2005) No. 761). According to such Capital Verification Report, as at 8 June 2015, the

Company received additional registered capital of RMB 3,019,609,785 in total from Guanghui Group, CGAML, Yingtang Jingsheng(鹰潭锦胜), Zhenghe Shitong (正和世通), Xinjiang Youyuan (新疆友源), BCIL, and Nanning Yongzhiquan(南宁邕之泉).

The relevant parties entered into the Acknowledgement of Delivery of the Outgoing Assets (《置出资产交割确认函》) to confirm the delivery of the Outgoing Assets. According to the Transfer Confirmation Letter as produced by China Securities Depository and Clearing Corporation Limited, Merro Group completed the payment of 30 million shares of the Listed Company as the consideration of the Outgoing Assets payable to Guanghui Group.

2. Fundraising status

As at 23 June 2015, the Listed Company raised a total amount of RMB5,999,998,320 by issuing 297,324,000 shares to Bosera Asset Management Co., Limited, Zhao Sufei, Truvalue Asset Management Limited, China Galaxy Securities Co., Ltd, China Merchants Wealth Asset Management Limited, Caitong Fund Management Co., Ltd., SWS MU (Shanghai) Assets Management Co., Ltd., and Kuo Hua Life Insurance Co., Ltd. at an issue price of RMB 20.18 per share. After deducting the relevant issuance costs of RMB 110,000,000, the net proceeds raised was RMB 5,889,998,320. PricewaterhouseCoopers Zhong Tian LLP conducted the capital verification, and produced the Capital Verification Report (PwC Zhong Tian Yan Zi (2015) No. 829). According to the Capital Verification Report, as at 24 June 2015, the Company received the subscription monies of RMB5,999,998,320 from the target subscribers as the proceeds raised. After deducting the relevant issuance costs of RMB110,000,000, the net proceeds raised was RMB 5,889,998,320.

As at 30 June 2015, the Listed Company completed registration of additional share capital derived from the restructuring with China Securities Depository and Clearing Corporation Limited, Shanghai Branch.

V. MAJOR FINANCIAL DATA OF THE COMPANY FOR THE LAST TWO YEARS AND THE PERIOD ENDED 30 SEPTEMBER 2015

The financial data of CGA for 2013 and 2014 are extracted from the Combined Pro Forma Financial Statements and Special Audit Report for the last two years as prepared by PwC according to the structure of the Listed Company following completion of the major asset restructuring in 2015. The data for the period from January to September 2015 were unaudited.

(I) Major data of combined statement of balance sheet

Currency: RMB'0,000

Item	30 September 2015	31 December 2014	31 December 2013
Total assets	7,164,022.79	6,170,740.11	5,614,039.33
Total liabilities	5,047,387.20	4,549,385.42	4,087,227.91
Net assets	2,116,635.59	1,621,354.70	1,526,811.42
Owners' equity attributable to the shareholders of the parent	2,023,926.40	1,454,529.85	1,365,700.04

(II) Major data of combined income statement

Currency: RMB'0,000

Item	January to September 2015	2014	2013
Turnover	6,569,958.82	8,635,687.21	8,406,350.46
Total profit	173,919.18	229,732.15	232,530.07
Net profit	135,430.29	179,779.01	195,652.33
Net profits attributable to the shareholders of the parent	124,452.41	160,590.25	177,481.34

VI. MAJOR OPERATIONS OF THE COMPANY

Prior to the major asset restructuring in 2015, the Listed Company was principally engaged in the production and sales of pharmaceutical products. Following the major asset restructuring in 2015, the Listed Company became principally engaged in passenger vehicle dealership and services. Currently, the Company is the largest passenger vehicle dealership and automobile service provider group and the largest financial leasing service provider for passenger vehicles in the PRC. During the reporting periods, the Company is principally engaged in automobile sales and full-range aftersales services, including sales of automobiles, passenger vehicle financial leasing, repair and maintenance, commission agent services (including insurance and financing agent, agent for extension of automobile insurance, pre-owned automobile trading brokering services), etc.

Below set outs the incomes derived from the major operations of the Company for the last two years and the period from January to June 2015:

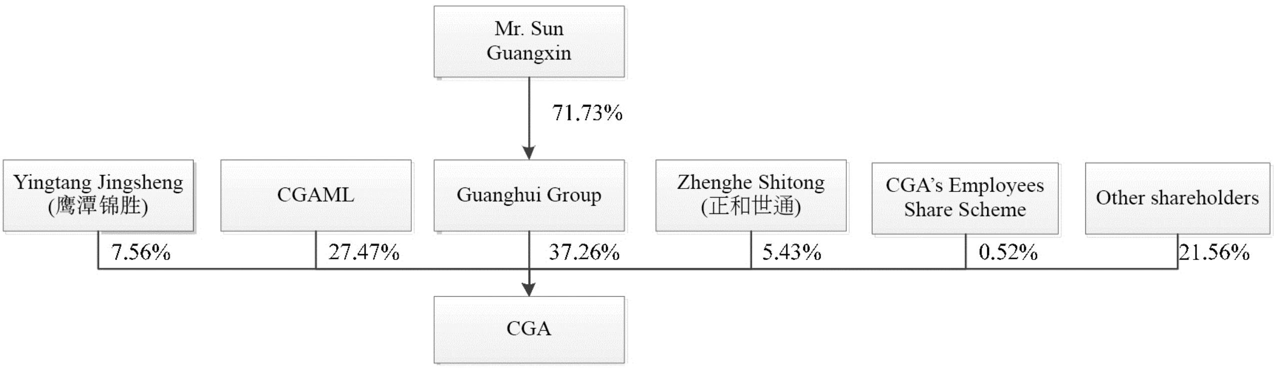
Unit: RMB'0,000

Item	From January to September 2015		2014		2013	
	Income	Percentage	Income	Percentage	Income	Percentage
Sales of automobiles	5,763,383.23	87.72%	7,633,009.93	88.39%	7,442,920.57	88.54%
Repair and maintenance service	539,589.69	8.21%	702,259.39	8.13%	736,149.61	8.76%
commission agent services	101,564.82	1.55%	111,766.72	1.29%	101,915.45	1.21%
Others	22,008.29	0.33%	25,000.42	0.29%	15,025.49	0.18%
Lease of automobiles	143,412.79	2.18%	163,650.75	1.90%	110,339.34	1.31%
Total	**6,569,958.82**	**100.00%**	8,635,687.21	100.00 %	8,406,350.46	100.00%

VII. DESCRIPTIONS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER OF THE COMPANY

(I) Shareholding relationship between the Company and controlling shareholders and de facto controller

As at the date of issuing this Report, set out below is the shareholding structure of CGA:



(II) Particulars of controlling shareholders

Guanghui Group currently holds 2,049,404,958 shares of CGA (representing 37.26% of the total share capital of the Company), thus becoming the controlling shareholder of the Company.

1. Basic Information

Company Name	Xinjiang Guanghui Industry Investment Group Co., Ltd
Establishment Date	11 October 1994
Registered Capital	RMB 3,555,700,360
Legal Representative	Mr. Sun Guangxin
Residential Address	Guanghui Meiju Logistics Park, 65 South Tianjing Road, High-Tech Industry Development Zone, Urumqi, Xinjiang
Business License Number	650000030002769
Business Scope	Real estate, automobile assembly and modification, securities dealing, chemical-based mechanic manufacturing, eco-friendly boiler manufacturing, liquefied natural gas business, coal-based chemical projects, investments in automobile trading and services, high-tech product development, and exposition services.

2. De facto controller

Mr. Sun Guangxin holds 71.73% equity interests in Guanghui Group, the controlling shareholder of the Company, and thus is the de facto controller of the Company. Mr. Sun Guangxin, , born as Chinese citizen in December 1962 without the right of oversea abode, is a member of Communist Party of China a senior economist and holder of postgraduate diploma. In November 1998, he obtained its postgraduate diploma in market economy from Graduate School of Chinese Academy of Social Sciences. In September 2008, he received the executive Master of Business Administration from College of Management and Economics, Tianjing University. In July 1996, he was certified as senior economist by the Accrediting Office for Specialty Technicians in Xinjiang Uyur Autonomous Region (新疆维吾尔自治区专业技术人员职称办公室). From May 1989 to July 1994, he served as the general manager of Urumqi Guanghui Industries Trading Company (乌鲁木齐市广汇工贸公司) (the predecessor of Guanghui Industry Investment Group). During the period from July 1994 to August 2000, he served as the president and general manager of Xinjiang Guanghui Enterprise Group (新疆广汇企业集团) (the predecessor of Guanghui Industry Investment Group). He also served as the chairman and deputy Party secretary of Guanghui Industry Investment Group from August 2000 to November 2011. Since November 2011, he has been the Chairman of the Board and the Party secretary of Guanghui Industry Investment Group.

VIII. ADMINISTRATIVE OR CRIMINAL PENALTIES IMPOSED ON THE COMPANY IN THE LAST THREE YEARS

As at the date of this Report, the Company is not involved in any crime that results in an investigation launched by the judicial authorities, or any illegal action or non-compliance incident that triggers an investigation launched by CSRC. During the last three years, the Company was not subject to any administrative or criminal penalties.

IX. BASIC INFORMATION ABOUT THE PURCHASER UNDER THE TRANSACTION

Under the Transaction, subject to satisfaction of the pre-conditions, CGA will make a pre-conditional voluntary cash Partial Offer through its indirect wholly-owned subsidiary CGA (Hong Kong). Below sets out basic information about CGA (Hong Kong):

(I) Basic Information

Company Name: China Grand Automotive Services (Hong Kong) Limited

Company No.: 2032892

Establishment Date: 29 January 2014

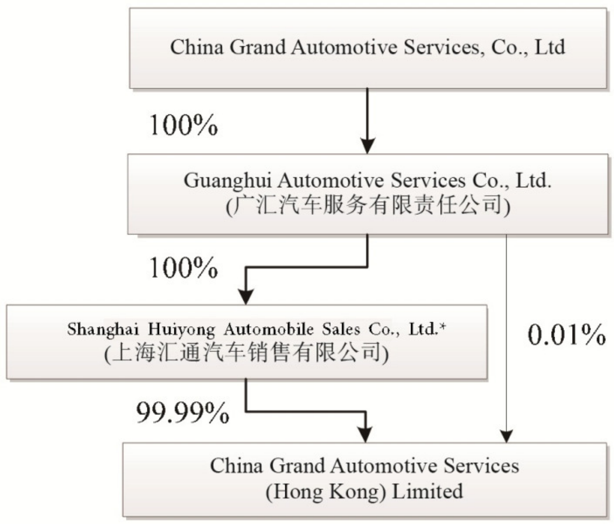
Registered Address: Room A, 20/F, Kiu Fu Commercial Building, 300 Lockhart Road, Wan Chai

Total issued share capital: HK$2,249,352,100

Scope of business: automotive information consultancy, business management services, import and export services for goods and technology

(II) Shareholding Structure

As at the date of this Report, CGA (Hong Kong)'s shareholding structure is set out as below:



On 9 December 2015, Shanghai Huiyong Automobile Sales Co., Ltd.* (上海汇涌汽车销售有限公司) ("Shanghai Huiyong"), the controlling shareholder of CGA (Hong Kong), lodged an application with the Free Trade Zone Branch of Shanghai Administration for Industry and Commerce for changes in registration particulars in relation to the capital increase of RMB5,000 million in Shanghai Huiyong to be made by CGA. Upon completion of the capital increase, CGA will directly hold 73.53% equity interest in Shanghai Huiyong, thus the latter will become a direct subsidiary of the Listed Company.

SECTION III INFORMATION ON THE COUNTERPARTIES

I. OVERVIEW OF THE COUNTERPARTIES

The Transaction is to be conducted by way of making the Offers, whereby the Company will, through CGA (Hong Kong) make a pre-conditional voluntary cash Partial Offer to acquire up to 75% of the issued shares from the Qualifying Shareholders of Baoxin Auto and extend an appropriate offer to Optionholders to cancel up to 75% of all the outstanding Share Options, subject to the satisfaction or, where applicable, waiver of the pre-conditions. As the Target Company is a company listed on the main board of the Hong Kong Stock Exchange, the Counterparties represent all of the Qualifying Shareholders and Optionholders of the Target Company. Based on the information of the substantial shareholders as disclosed on the Hong Kong Stock Exchange, the substantial shareholders of the Target Company which hold above 5% of the shares of Baoxin Auto as at 4 December 2015 are Baoxin Investment, Auspicious Splendid, Jumbo Create Investment, Wilfred Speedy Investment and Schroders Plc, collectively hold 1,814,450,061 shares of the Target Company, representing 70.95 % of existing total shares of the Target Company. Except for Schroders Plc which is an external institutional investor, the other four substantial shareholders are connected shareholders of the Target Company. On December 2015, Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid (collectively “Covenantors”) entered into the Irrevocable Undertaking Agreement with CGA and CGA (Hong Kong), pursuant to which, the Covenantors have undertaken to tender, or procure the tender of, all of the 1,370,144,000 shares directly or indirectly held by them (representing 53.38% of the total issued share capital of the Target Company).

II. BASIC INFORMATION OF MAJOR COUNTERPARTIES

(1) Baoxin Investment

1. Basic Information of Baoxin Investment

Company name	Baoxin Investment Management Ltd.
Director	Mr. Yang Aihua
Place of incorporation	British Virgin Islands
Corporate domicile:	Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands
Registration No.	1603609
Type of company	Company limited by shares
Date of incorporation	6 September 2010

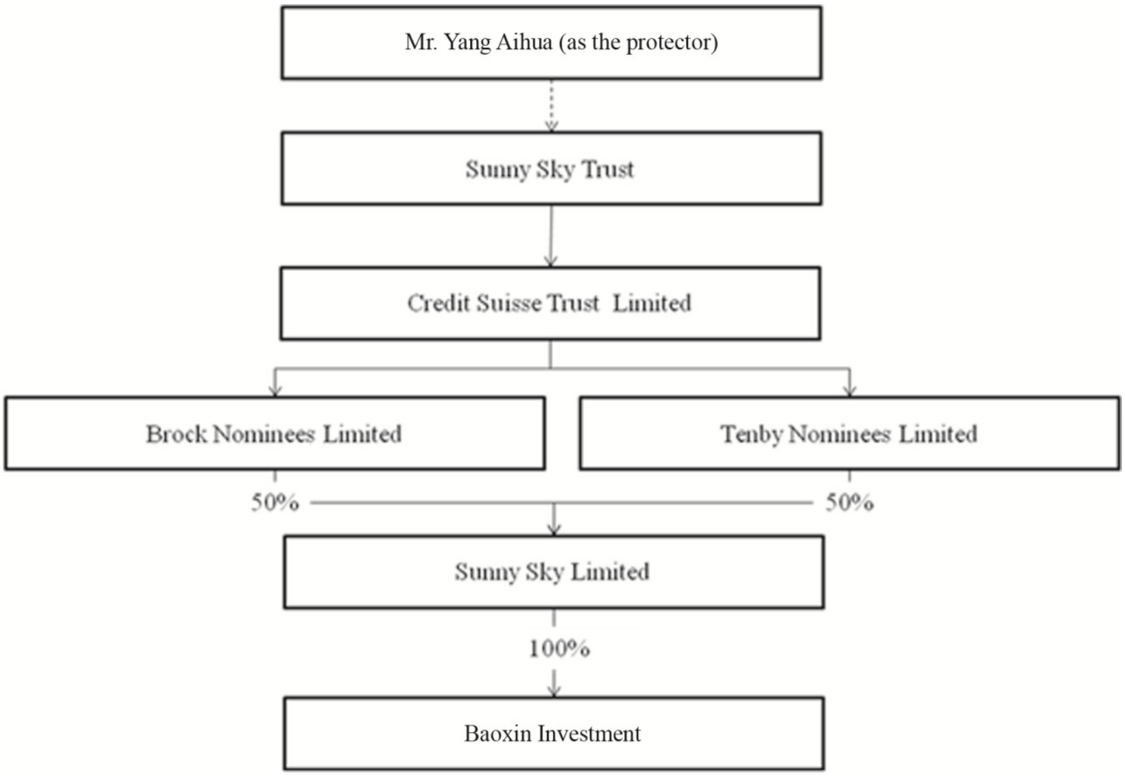
Baoxin Investment is an investment holding company. There was no change in its share capital in the last three years.

2. Major financial indicators of Baoxin Investment for the last two years

According to the statement issued by Baoxin Investment, Baoxin Investment did not prepare financial statements.

3. Shareholding structure of Baoxin Investment

According to the disclosure of interests posted on the Hong Kong Stock Exchange, the shareholding structure of Baoxin Investment is as follows:



Baoxin Investment is wholly owned by the trustee of a discretionary trust of which Mr. Yang Aihua, together with his children and further issue are beneficiaries. Under such trust, certain discretions of the trustee are only exercisable by the trustee with the consent of the protector, being Mr. Yang Aihua, and such discretions include: (i) determining the date of termination of the trust; (ii) changing the proper law of the trust; (iii) paying or application of income to beneficiaries; (iv) holding capital and income on trust for the beneficiaries on termination of the trust; (v) general powers of appointment and advancement; (vi) exclusion of beneficiaries; (vii) addition of beneficiaries; and (viii) variation of the trust powers and provisions of the trust. For so long as there is a protector, being Mr. Yang Aihua in office, the trustee shall not have any investment or asset management powers, including powers to interfere in the management of the business of Baoxin Investment and the voting rights attached to its shares. The investment and asset management powers are vested solely in the protector. The protector also has the power to appoint or remove trustees.

4. External investments of Baoxin Investment

Pursuant to the statement issued by Baoxin Investment, as at the date of this Report, apart from the holdings of the 1,242,224,000 shares in Baoxin Auto, Baoxin Investment does not have any other external investments.

(II) Auspicious Splendid

1. Basic information of Auspicious Splendid

Company name	**Auspicious Splendid Global Investments Limited**
Director	Mr. Yang Aihua
Place of incorporation	British Virgin Islands
Corporate domicile	Sea Meadow House， Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands
Registration No.	1631787
Type of company	Company limited by shares
Date of incorporation	11 February 2011

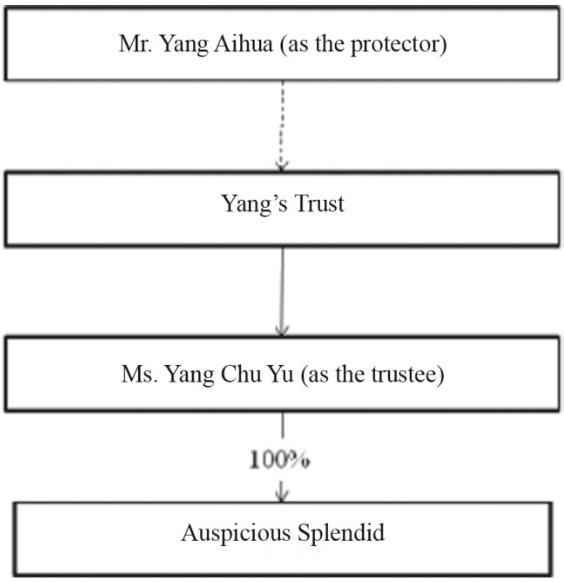
Auspicious Splendid is an investment holding company. There was no change in its share capital in the last three years.

2. Major financial indicators of Auspicious Splendid for the last two years

According to the statement issued by Auspicious Splendid, Auspicious Splendid did not prepare financial statements.

3. Shareholding structure of Auspicious Splendid

According to the disclosure of interests posted on the Hong Kong Stock Exchange, the shareholding structure of Auspicious Splendid is as follows:



Auspicious Splendid is wholly owned by Ms. Yang Chu Yu, a daughter of Mr. Yang Aihua as the trustee of a discretionary trust of which Mr. Yang Aihua, and Mr. Yang Zehua, together with their respective children and further issue are beneficiaries. The trustee shall hold the capital and income of the trust fund on trust for the beneficiaries in such shares as the protector, Mr. Yang Aihua, directs. The protector also has the power to (i) add or remove beneficiaries; (ii) exclude any person to be a beneficiary; and (iii) remove a trustee and appoint a successor trustee. For so long as there is a protector, being Mr. Yang Aihua in office, the trustee shall not have any investment or asset management powers, including powers to interfere in the management of the business of Auspicious Splendid and the voting rights attached to its shares. The investment and asset management powers are vested solely in the protector.

4. External investments of Auspicious Splendid

Pursuant to the statement issued by Auspicious Splendid, apart from holding127,920,000 shares in Baoxin Auto, Auspicious Splendid does not have any other external investments.

(III) Jumbo Create Investment

1. Basic information of Jumbo Create Investment

Company name	Jumbo Create Investment Development Limited
Director	Mr. Yang Zehua
Place of incorporation	British Virgin Islands
Corporate domicile	Corporate Registrations Limited, Sea Meadow House, Blackbume Highway, P.O. Box 116, Road Town, Tortola,British Virgin Islands
Registration No.	1824902
Type of company	Company limited by shares
Date of incorporation	20 May 2014

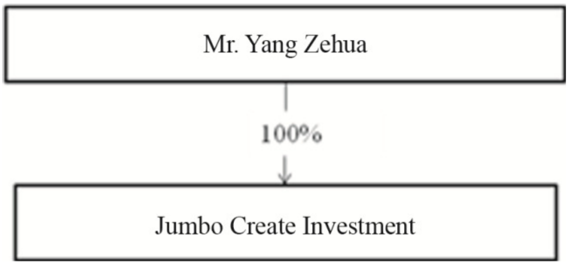
Jumbo Create Investment is an investment holding company. There was no change in its share capital in the last three years. Its de facto controller, Mr. Yang Zehua, is a brother of Mr. Yang Aihua.

2. Major financial indicators of Jumbo Create Investment for the last two years

According to the statement issued by Jumbo Create Investment, Jumbo Create Investment did not prepare financial statements.

3.Shareholding structure of Jumbo Create Investment

According to the disclosure of interests posted on the Hong Kong Stock Exchange, the shareholding structure of Jumbo Create Investment is as follows:



4. External investments of Jumbo Create Investment

Pursuant to the statement issued by Jumbo Create Investment, as at the date of this Report, apart from holding 155,278,000 shares in Baoxin Auto, Jumbo Create Investment does not have any other external investments.

(IV) Wilfred Speedy Investment

1. Basic information of Wilfred Speedy Investment

Company name	Wilfred Speedy Investment Development Limited
Director	Mr. Yang Hansong
Place of incorporation	British Virgin Islands
Corporate domicile	Corporate Registrations Limited, Sea Meadow House, Blackbume Highway, P.O. Box 116, Road Town, Tortola,British Virgin Islands
Registration No.	1824959
Type of company	Company limited by shares
Date of incorporation	20 May 2014

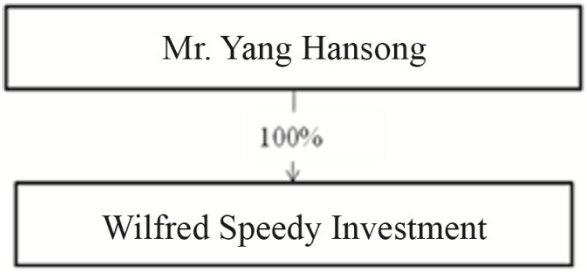
Wilfred Speedy Investment is an investment holding company. There was no change in its share capital in the last three years. Its de facto controller, Mr. Yang Hansong, is a brother of Mr. Yang Aihua.

2. Major financial indicators of Wilfred Speedy Investment for the last two years

According to the statement issued by Wilfred Speedy Investment, Wilfred Speedy Investment did not prepare financial statements for the last two years.

3. Shareholding structure of Wilfred Speedy Investment

According to the disclosure of interests posted on the Hong Kong Stock Exchange, the shareholding structure of Wilfred Speedy Investment as at the date of this Report is as follows:



4. External investments of Wilfred Speedy Investment

Pursuant to the statement issued by Wilfred Speedy Investment, as at the date of the Report, apart from holding 155,278,000 shares in Baoxin Auto, Wilfred Speedy Investment does not have any other external investments.

(V) Schroders Plc

According to the information publicly disclosed by Schroders Plc (a company listed on London Stock Exchange), its basic information is as follows:

1. Basic information of Schroders Plc

Company name	Schroders Plc
Directors	Andrew Beeson, Michael Dobson, Richard Keers, Peter Harrison, Philip Mallinckrodt, Massimo Tosato, Ashley Almanza, Robin Buchanan, Lord Howard, Nichola Pease, Bruno Schroder, and Rhian Davies
Corporate domicile	Garrard House, 31-45 Gresham Street, London, EC2V 7QA , United Kingdom
Type of company	Public company
Date of incorporation	1804

Schroders Plc is a global asset manager with 37 offices in 27 different countries and regions, and had £300 billion of assets under management as at the end of 2014. Its share capital remained unchanged during the last three years.

2. Major financial indicators of Schroders Plc for the last two years

The major financial indicators of Schroders Plc for the last two years are set out below:

Unit: GBP millions

Item	**31 December 2014**	**31 December 2013**
Total assets	20,246.6	17,189.4
Total liabilities	17,708.8	14,920.8
Net assets	2,537.8	2,268.6
Item	**2014**	**2013**
Operating income	1,914.7	1,809.1
Operating profit	498.1	429.8
Total profit	517.1	447.5
Net profit	413.2	352.7

Note: the above data has been audited by PricewaterhouseCoopers LLP.

3. Shareholding structure of Schroders Plc

Schroders Plc is a public company listed on the London Stock Exchange (stock code: SDR.L). According to its 2014 annual report, the substantial shareholders holding over 3% of its shares include Vincitas Limited (26.87%), Veritas Limited (16.28%) and Harris Associates L.P (7.07%).

4. External investments of Schroders Plc

Schroders Plc, a global assets manager, had 580 funds and ￡300 billion of assets under management as at the end of 2014. Its investments mainly focus on equity products, fixed income products, mixed assets, emerging market bonds, commodities and real estate.

III. CONNECTED RELATIONSHIP BETWEEN THE COUNTERPARTIES AND THE LISTED COMPANY

According to the statements issued by each of Baoxin Investment, Auspicious Splendid, Jumbo Create Investment and Wilfred Speedy Investment, as at the date of the Report, there is no connected relationship between these Counterparties of the Transaction and the Listed Company.

IV. THE LEGAL COMPLIANCE OF THE COUNTERPARTIES IN THE LAST FIVE YEARS

According to the statements issued by each of Baoxin Investment, Auspicious Splendid, Jumbo Create Investment and Wilfred Speedy Investment, neither they nor their respective key management members were subject to any administrative penalties (excluding those clearly irrelevant to securities market), criminal penalties, or involved in any material civil litigation or arbitration regarding economic disputes within the last five years.

SECTION IV BASIC INFORMATION OF THE TARGET ASSETS

I. CORPORATE PROFILE

Company name	Baoxin Auto Group Limited
Date of establishment	6 September 2010
Type of company	Incorporated in Cayman Islands with limited liability
Authorised capital	HK$50 million
Issued share capital	2,557,311,429 shares of HK$0.01 each
Business Registration No.	MC-245062
Directors	Yang Aihua, Yang Hansong, Yang Zehua, Hua Xiuzhen, Zhao Hongliang, Diao Jianshen, Wang Keyi, Chan Wan Tsun Adrian Alan, Lu Linkui
Registered address	P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands
Principal place of business	Unit 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong
Place of listing	Hong Kong Stock Exchange
Stock code	1293
Principal activities	Investment holding

II. HISTORICAL DEVELOPMENT

(I) Incorporation of Baoxin Auto

Baoxin Auto was incorporated in the Cayman Islands on 6 September 2010.

(II) Changes in share capital

According to the publically available information of the Target Company, movements in the share capital of the Target Company were as follows:

On 6 September 2010, the authorised share capital of Baoxin Auto was US$50,000, divided into 500,000 shares of US$0.1 each. Since then, the changes in the share capital of Baoxin Auto were as follows:

(1) On 6 September 2010, one share of US$0.1 was allotted and issued to Mapcal Limited, a founding shareholder of Baoxin Auto, credited as paid-up share. On the same date, Mapcal Limited transferred one share to Baoxin Investment.

Following this change in share capital, Baoxin Auto has issued and paid up one ordinary share (with a par value of US$0.1).

(2) On 28 September 2010, 499,999 shares of US$0.1 each were allotted, issued and credited.

Following this change in share capital, Baoxin Auto has issued and paid up 500,0000 ordinary shares (with a par value of US$0.1).

(3) On 12 July 2011, the authorised share capital of Baoxin Auto was increased to US$200,000, divided into 2,000,000 shares of US$0.1 each. On the same date, 500,0000 shares of US$0.1 each were allotted, issued and credited.

Following this change in share capital, Baoxin Auto has issued and paid up 1,000,0000 ordinary shares (with a par value of US$0.1).

(4) On 22 November 2011, the authorised share capital of Baoxin Auto was increased from US$200,000 divided into 2,000,000 shares of US$0.1 each to a sum of US$200,000 and HK$50,000,000, respectively, divided into (i) 2,000,000 shares of US$0.1 each and (ii) 5,000,000,000 ordinary shares of HK$0.01 each, respectively.

Following this change in share capital, Baoxin Auto has issued and paid up 1,000,0000 ordinary shares (with a par value of US$0.1).

(5) On 25 November 2011, 100,000,000 shares were allotted, issued and credited.

Following this change in share capital, Baoxin Auto has issued and paid up 1,000,0000 ordinary shares (with a par value of US$0.1) and 100,000,000 ordinary shares (with a par value of HK$0.01), respectively.

(6) On 25 November 2011, Baoxin Auto redeemed and cancelled 1,000,000 shares of US$0.1 each.

Following this change in share capital, Baoxin Auto has issued and paid up 100,000,000 ordinary shares (with a par value of HK$0.01).

(7) On 25 November 2011, Baoxin Auto cancelled 2,000,000 shares of US$0.1 each authorised but not yet issued, resulting in the reduction of the authorised share capital of Baoxin Auto to HK$50,000,000, divided into 5,000,000,000 shares.

Following this change in share capital, Baoxin Auto has issued and paid up 100,000,000 ordinary shares (with a par value of HK$0.01).

(III) Listing of Baoxin Auto

On 14 December 2011, Baoxin Auto was listed on the Main Board of the Hong Kong Stock Exchange and issued 328,740,000 shares at an issue price of HK$8.50 with proceeds of HK$2,794 million in total. Baoxin Auto will increase its share capital by HK$21,000,000 by conversion of share premium, allot and issue 2,100,000,000 ordinary shares of HK$0.01 each to such shareholders named in its register of shareholders on the listing date at 08:00 a.m., and have such number of shares converted into paid-up shares at par value.

Following this change in share capital, Baoxin Auto has issued and paid up 2,528,740,000 ordinary shares (with a par value of HK$0.01).

(IV) Acquisition of NCGA Holding Limited

On 31 December 2012, Baoxin Auto acquired the entire shares of NCGA Holding Limited and issued 28,571,429 shares as part of the consideration.

Following this change in share capital, Baoxin Auto has issued and paid up 2,557,311,429 ordinary shares (with a par value of HK$0.01).

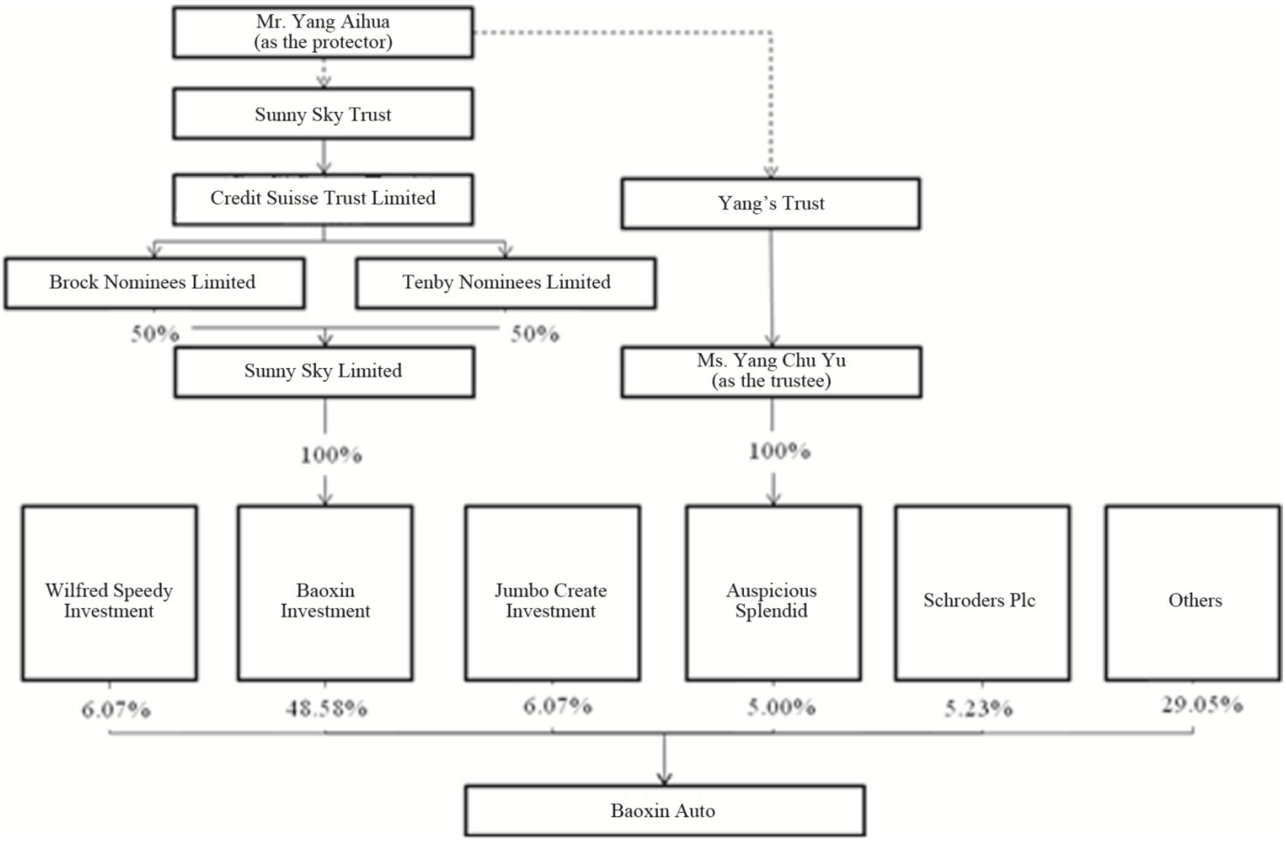
III. SHAREHOLDING RELATIONSHIP

(I) Shareholding structure of Baoxin Auto

The authorised share capital of the Target Company was HK$50,000,000, divided into 5,000,000,000 ordinary shares of HK$0.01 each. The Target Company has issued a total of 2,557,311,429 ordinary shares but has not issued any preferred shares or other classes of shares.

According to the share option scheme approved by shareholders of the Target Company on 22 November 2011, as of 31 October 2015, the Target Company issued 15,550,000 share options to grant rights to grantee(s) to subscriber for a total 15,550,000 new shares at the exercise price of HK$5.724 per share (subject to adjustment in accordance with its terms) for a valid term till the earlier of (i) the date on which relevant grantee are no longer an employee of the Target Company and its subsidiaries; and (ii) 4 September 2016.

As at the date of this Report, the chart of the shareholding structure of Baoxin Auto is as follows:



Mr. Yang Aihua solely controls the voting rights attached to the shares of Baoxin Auto held by Baoxin Investment and Auspicious Splendid. For details of the shareholding relationships of Baoxin Investment and Auspicious Splendid, please refer to the paragraphs headed "(I) Baoxin Investment" and "(II) Auspicious Splendid", repectively set out in the sub-section headed "II. Basic Information of the Counterparties" under "Section III Information of the Counterparties" of this Report.

(II) The de facto controller of Baoxin Auto

As at the date of this Report, Mr. Yang Aihua, through Baoxin Investment and Auspicious Splendid, controls an aggregate of 1,370,144,000 shares of the Target Company (representing 53.58% equity interest of the Target Company), and thus is the de facto controller of Baoxin Auto.

(III) Main contents of the articles of association that might affect the Transaction or relevant investment agreements

The articles of association of Baoxin Auto does not contain any major provisions that may affect the Transaction or relevant investment agreements.

(IV) Arrangement for former senior management members

As agreed, Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua will resign from their office as directors of Baoxin Auto with effect from the First Closing Date.

Pursuant to the Irrevocable Undertaking Agreement, CGA (Hong Kong) has committed that for a period of 12 months following the Final Closing Date, Baoxin Auto and its subsidiaries will: (i) not terminate the employment of any persons who are employees of Baoxin Auto as at the Final Closing Date ("Employees") save where (a) Baoxin Auto has grounds to dismiss an Employee without notice pursuant to Section 9 of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) or the equivalent applicable law; (b) an Employee is in material breach of any term of his or her employment contract with Baoxin Auto; or (c) an Employee is terminated by reason of retirement; (ii) ensure that employee benefits for all Employees (whether or not they form part of the terms of the Employees' employment) will, in material respects, continue to be no less favourable to the Employees than they were immediately prior to the Final Closing Date in general; and (iii) honour the terms of each Employee's employment contract, including any extensions of employment contracts which have been entered into between Baoxin Auto and any Employee before the date of the

Irrevocable Undertaking Agreement, even where that Employee has passed normal retirement age.

(V) Agreements or other arrangements affecting the independence of the assets
According to the statement issued by Baoxin Auto, as at the date of this Report, Baoxin Auto has not entered into any agreements or other arrangements that affect the independence of its assets.

IV. KEY FINANCIAL FIGURES

(I) Summary of Consolidated Balance Sheet

Unit: RMB'0,000

Item	2015/9/30	2014/12/31	2013/12/31
Total current assets	1,358,766.6	1,378,158.8	1,264,990.9
Total non-current assets	602,860.1	599,469.9	522,181.7
Total current liabilities	1,115,057.7	1,128,720.6	1,128,412.4
Total non-current liabilities	342,616.6	334,028.1	186,433.7
Total equity	503,952.4	514,880.0	472,326.5
Equity attributable to the owners of the parent company	497,741.0	508,866.1	467,011.6

(II) Summary of Consolidated Income Statement

Unit: RMB'0,000

Item	January to September 2015	2014	2013
Revenue	1,659,573.4	3,072,343.2	3,008,168.7
Operating profit	62,617.6	165,020.0	190,373.70
Profit for the period/year	15,500.8	71,363.4	101,433.5
Profit attributable to owners of the parent company	15,303.3	70,664.4	100,680.5

(III) Summary of Consolidated Cash Flow Statement

Unit: RMB'0,000

Item	January to September 2015	2014	2013
Net cash flow generated from operating activities	157,824.1	147,806.0	70,366.0
Net cash flow used in investing activities	-44,856.5	-133,118.1	-120,366.3
Net cash flow generated from/(used in) financing activities	-8,533.8	3,370.9	-15,382.7
Net increase/(decrease) in cash and cash equivalents	104,433.8	18,058.8	-65,383.0
Effect of changes in exchange rate, net	-5,280.9	137.8	658.7
Cash and cash equivalents at the end of year	319,442.1	220,289.2	202,092.6

V. INFORMATION ON PRINCIPAL ACTIVITIES

(I) Overview of principal activities

Baoxin Auto is an automobile sales and service provider group mainly operating luxury and ultra-luxury brands, and the largest dealer of BMW in the PRC. It is principally engaged in the sale of automobiles, automobile maintenance and repair service, automobile styling, commission agent services (including insurance and financing agency, agency for extension of automobile insurance, pre-owned automobile trading brokering services), financial leasing, etc.

As at 30 September 2015, Baoxin Auto has established a dealership network with a total of 82 outlets (including 64 4S stores) in 12 provinces, municipalities and autonomous regions, with major outlets distributing in the Yangtze River Delta region, Northeastern China, Eastern China and Northern China. The dealership brand coverage of Baoxin Auto comprises a total of 19 middle- and high-end, luxury and ultra-luxury passenger vehicle brands.

(II) Major operational model and business process

The passenger vehicle dealership and service businesses of Baoxin Auto can be further classified into sales business, aftersales service business and automobile value-added services. The sales business generates profits by earning price spreads in the sales of automobiles and additional decorations to automobile buyers. The aftersales service business includes the repair and maintenance business, for which the labor-hour fees will be charged in the provision of automobile repair and maintenance services and the price spread will be earned in the sales of automobile spare parts. Automobile value-added services include commission agency and financial leasing business. For the commission agency business, commission fees will be charged in the provision of insurance and finance agency, automobile insurance extension agency, pre-owned automobile trading brokering services, while financial leasing business generates profits by earning interest spreads. The passenger vehicle dealership and service business is normally settled by way of bank transfer or little amount of cash.

1. Sale of automobiles

(1) Procurement model

Baoxin Auto procures new cars and spare parts directly from automobile manufacturers. Automobile manufacturers set non-binding annual sales target for every authorized dealership store and measure service standards according to the customer satisfaction, while each sales outlet purchases new cars from the automobile manufacturers pursuant to their dealership contracts and distribution policies. The accomplishment of relevant targets will be considered by automobile manufacturers when assessing dealers' performance and determining the allocation of new automobile sales. During the reporting period, Baoxin Auto has maintained good communication and long-term cooperative relationship with automobile manufacturers who have granted dealership to it.

(2) Sales model

Baoxin Auto mainly operates high-end luxury brands targeting customers with relatively high income and seeking quality products and services. These customers display a higher brand loyalty and are less price sensitive. Baoxin Auto's always ensures that all its marketing activities are customer-oriented. Baoxin Auto's marketing, sales, after-sales and customer relationship management teams collaborate to develop customer profiles for its different brands and models of automobiles, study trends in customer preferences, direct marketing efforts to reach our targeted customer demographics and offer appealing marketing services. Meanwhile, Baoxin Auto establishes a special database for potential customers and applies related information to identify potential sales opportunities; the promoting activities mainly include personal call, emailing and delivery of email notification, as well as inviting guests to attend the promotion activities organized by dealership stores.

With respect to marketing, apart from its own dealership services, Baoxin Auto also actively publicizes its automobiles and services through media, such as radio broadcasts, magazines and Internet, and conducts marketing activities through participating in press conferences of new automobile models, sponsorship, automobile fans club activities and other promotion activities organized or held by automobile manufacturers.

2. Aftersales services

The aftersales service of Baoxin Auto mainly comprises provision of automobile maintenance, repair, and sales of automobile parts and accessories.

(1) Automobile repair business

Baoxin Auto has been equipped with a professional repair team trained by automobile manufacturers. Baoxin Auto provides automobile repair services to passenger vehicle owners through its own 4S stores, and is able to offer high-quality automobile repair and maintenance services (including general repair and post-collision body restoration services), fees of which are charged by reference to the pricing standards for man-hour and auto spare parts set by the automobile manufacturers. For the automobile repair within warranty period, Baoxin Auto will dispatch the bills for such labour force and such spare parts used in repairs as confirmed with clients to automobile manufacturers, who will then make payment to relevant 4S stores for provision of repair service within warranty period and assume the costs of relevant spare parts as agreed; for the automobile repair beyond warranty period, costs incurred for repairs will be charged based on the spare parts and labour force necessary for such repairs and paid by clients or insurers according to the type of repairs .

(2) Automobile maintenance business

Apart from repair services for any failure or damage caused by accidents, passenger vehicles also generally require routine maintenance during the course of use. The regular maintenance service provided by Baoxin Auto generally includes regular check and replacement of motor oil and related consumables, replacement of air filter, spark plug, brake pads and other parts as well as tire rotation, positioning and other necessary checks and adjustments. Baoxin Auto generally sends periodic reminders to owners to schedule subsequent maintenance checks pursuant to the maintenance guide or requirements set by relevant automobile manufacturers. .

(3) Sale of automobile accessories and relevant products

Baoxin Auto’s dealership stores provide spare parts usually required for vehicle repairs and various automobile accessories and other car-related products, such as motor oil, additives and GPS navigation devices and suites. Meanwhile, in consideration of maintaining customer brand loyalty, Baoxin Auto also retails original brand merchandise, such as travel cases, toy automobile models and clothing.

3. Automobile value-added service

While steadily developing the new vehicle sales and after-sales repair and maintenance business, Baoxin Auto has continued to put more effort in the development of vehicle value-added services business, achieving obvious growth in automobile insurance and insurance renewal, automobile finance, pre-owned automobile business, etc. According to the financial information disclosed by Baoxin Auto, the income from vehicle value-added services in 2014 amounted to RMB371 million, representing an increase of 60.4% as compared to that in 2013.

With respect to automobile insurance and renewal business segment, Baoxin Auto has increased insurance renewal rate substantially through cooperation with insurance companies as its strategic partners, while maintaining a high rate of new automobile insurance; meanwhile, Baoxin Auto also provides clients with consultancy, forms filling and delivery and other agency service of the automobile insurance business through dealership service outlets.

With respect to automobile finance business segment, Baoxin Auto mainly carries on automobile finance business and automobile financial leasing business. For automobile finance business, Baoxin Auto mainly provides its customers with fast, more convenient and personalized credit finance service through cooperation with automobile manufacturers and commercial banks. For automobile financial leasing business, following the incorporation of Shanghai Dingxin Financial Leasing Co., Ltd in 2013, implemented paperless management design and operation through the centralized cross-border online approval system. In addition to the traditional consumer auto loan service, Baoxin Auto also offers online application and approval of financial leasing service to better satisfy diversified finance demands of various customers.

With respect to pre-owned automobile business segment, Baoxin Auto has set up pre-owned automobile business division and engaged experienced pre-owned automobile appraisers in its 4S stores, showrooms and after-sales maintenance stores. Baoxin Auto has explored replacement demand of pre-owned automobiles during the sales process and identified customers for pre-owned automobiles from the repair and maintenance customer resources gained through aftersales services. In particular, general pre-owned vehicles are sold by way of broking trading or consignment, while newer vehicles with low mileage and in good condition will be displayed in showrooms and sold directly to customers upon maintenance and refurbishment, reducing trading process to enhance gross profit margin. For online auction, Baoxin Auto makes cross-region recommendation for quality automobiles and strives for the maximum gross profit by implementing region optimization with its existing network advantages.

4. Regional network and brand coverage

As for regional distribution, Baoxin Autooperates an extensive network of service outlets mainly distributing in the Yangtze River Delta region, Northeast China, Eastern China, and Northern China, representing approximately 80% of the total number of outlets established in Zhejiang, Jiangsu, Shanghai, Beijing, Tianjin, Liaoning and other regions. It has also formed sound complementary relationships with the outlet distribution of CGA which mainly concentrated in China's central and western regions. The Listed Company will secure quality resources in the area of outlet network distribution through the Transaction, which will help improve the distribution of its dealership and service outlets and further expand its advantageous businesses in the aftermarket industry value chain, such as financial leasing and pre-owned automobile trading, to the economically strong eastern China regions so as to allow the "CGA" automobile brand to have a nationwide presence.

The brand portfolio of the network distribution of Baoxin Auto mainly comprises mid-to-high-end, luxury and ultra-luxury brands. As at 30 September 2015, Baoxin Auto distributes a total of 19 brands, including luxury brands, such as BMW, MINI, Audi and Cadillac; the ultra-luxury brands comprise Land Rover, Jaguar, etc.; other mid-to-high-end brands mainly comprise Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet, Hyundai and other mainstream brands. With the increasing improvement of the consumption level of citizens and the constant upgrading of automobile consumption, the development of mid-to-high, luxury and ultra-luxury passenger vehicle brands which Baoxin Auto operates has been rapid.

(III) Sales of major products

In 2013, 2014 and January to September 2015, sales revenue and percentages of each of the businesses of Baoxin Auto were as follows:

Unit: RMB'0,000

Item	January to September 2015		2014		2013	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sales of automobiles	1,451,268.6	87.45%	2,766,299.0	90.04%	2,737,821.4	91.01%
Financial leasing	823.9	0.05 %	90.8	0.00%	-	-
Others	207,480.9	12.50%	305,953.4	9.96%	270,347.3	8.99%
Total revenue	**1,659,573.4**	**100%**	**3,072,343.2**	**100%**	**3,008,168.7**	**100%**

During the reporting period, sale of automobiles contributed to over 85% of Baoxin Auto's total revenue, being the main source of revenue for the company. In 2013, 2014 and January to September 2015, Baoxin Auto achieved revenue from sales of automobiles of RMB27,378,214,000, RMB27,666,299,000 and RMB14,512,686,000, respectively; and achieved sales volume of 69,852 units, 72,709 units and 41,907 units, respectively.

1. Sales volume, market share, sales revenue, sales gross profit margin and year-on-year change of the Target Company's major brands:

Unit: RMB 0,000

Brand	January to September 2015				January to September 2014			
	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)
BMW	25,608	865,012.4	59.60	3.5%	30,065	1,041,095.4	52.45	4.1%
Land Rover & Jaguar	5,157	336,612.8	23.19	5.6%	10,537	635,309.6	32.01	7.2%
Audi	1,900	54,492.3	3.75	2.2%	2,124	66,578.5	3.35	3.2%
Ferrari / Maserati	433	37,417.9	2.58	3.0%	484	48,255.9	2.43	12.1%
Porsche	339	25,891.0	1.78	6.0%	315	28,124.0	1.42	4.8%
Volvo	1,069	29,252.8	2.02	1.6%	1,226	36,041.3	1.82	1.7%
Buick	3,602	48,765.0	3.36	0.7%	3,880	48,346.6	2.44	0.9%

Brand	2014				2013			
	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)	Sales volume	Sales revenue	Revenue percentage (%)	Sales gross profit margin (%)
BMW	40,534	1,471,032.8	53.18	4.0%	37,785	1,519,400.3	50.51	5.4%
Land Rover & Jaguar	14,251	888,421.8	32.12	7.0%	12,164	801,992.5	26.66	8.6%
Audi	2,706	85,567.4	3.09	3.2%	2,939	98,833.6	3.29	0.6%
Ferrari / Maserati	642	67,206.5	2.43	11.2%	141	21,618.7	0.72	12.9%
Porsche	425	35,598.0	1.29	4.5%	439	42,580.1	1.42	8.0%
Volvo	1,695	48,346.5	1.75	1.6%	1,604	48,068.7	1.60	3.6%
Buick	5,002	63,514.9	2.30	1.0%	4,692	59,421.9	1.98	1.4%

Baoxin Auto focused on sales of luxury and ultra-luxury automobiles with higher unit selling price, and the sales volume was less than that of middle-end and low-end brand automobile dealers. The gross profit margin of the Company decreased as a result of economic downturn and the stuffing by car manufacturers to dealers.

BMW and Land Rover & Jaguar were the major vehicle brands sold by the Company. During the Reporting Period, revenue from sales of the above two brands represented over 80% of the total revenue from sales of automobiles, which contributed the majority of revenue and profits from sales of the above car brands for the Company.

In 2013, there were 37,785 BMW cars sold by Baoxin, representing 9.7% of the total sales volume in the PRC; in 2014, Baoxin Auto sold 40,534 BMW cars, representing 8.9% of the total sales volume in the PRC. In January to September 2015, there were 25,608 BMW cars sold by Baoxin, representing 7.5% of the total sales volume in the PRC; The declining economic situation and the decreased order quantity of BMW cars placed by Baoxin Auto in the first three quarters of 2015 resulted in a decrease in gross profit margin from 4.0% in 2014 to 3.5% in 2015, and the net profits also decreased.

In 2013, there were 12,164 Jaguar and Land Rover cars sold by Baoxin, representing 12.8% of the total sales volume in the PRC; in 2014, Baoxin Auto sold 14,251 Jaguar and Land Rover cars, representing 11.7% of the total sales volume in the PRC. In January to September 2015, there were 5,157 Jaguar and Land Rover cars sold by Baoxin, representing 7.9% of the total sales volume in the PRC; in 2015, affected by the automobile recall event and the damages to some new cars of Jaguar and Land Rover brands as a result of the explosion occurred in Tianjin, the sales volume of Jaguar and Land Rover in the PRC in the first three quarter of 2015 increased by nearly 30% compared to that in the same period of 2014; Baoxin Auto is an important dealer of Jaguar and Land Rover in the PRC with its revenue and profits having been affected, resulting in a decrease in gross profit margin from 7.0% to 5.6%, and the net profits also decreased.

2. Particulars of “other items”, share of sales volume, sales gross profit margin and year-on-year change
Of the operating income of the Target Company, those in “other items” are mainly the revenue from aftersales repair service. The sales revenue and sales gross profit margin of its major brands are as follows:

Unit：RMB 0,000

Item	January to September 2015			January to September 2014		
	Sales revenue	Revenue percentage	Sales gross profit margin	Sales revenue	Revenue percentage	Sales gross profit margin
BMW	148,112.5	71.25%	47.9%	142,708.8	64.41%	47.8%
Land Rover & Jaguar	31,521.8	15.16%	47.9%	42,714.3	19.28%	56.7%
Audi	10,859.4	5.22%	36.1%	13,990.6	6.31%	27.5%
Ferrari / Maserati	1,704.0	0.82%	30.9%	1,054.3	0.48%	53.9%
Porsche	1,733.0	0.83%	45.5%	1,508.8	0.68%	48.0%
Volvo	2,995.1	1.44%	36.0%	2,926.1	1.32%	49.2%

Buick	4,054.3	1.95%	44.2%	4,089.2	1.85%	52.3%
Item	**2014**			**2013**		
	Sales revenue	**Revenue percentage**	**Sales gross profit margin**	**Sales revenue**	**Revenue percentage**	**Sales gross profit margin**
BMW	200,644.2	65.58%	47.2%	180,650.0	66.82%	46.8%
Land Rover & Jaguar	57,220.6	18.70%	55.9%	37,442.3	13.85%	57.5%
Audi	17,933.3	5.86%	27.0%	21,841.1	8.08%	41.4%
Ferrari / Maserati	1,806.4	0.59%	53.7%	155.9	0.06%	79.0%
Porsche	2,042.3	0.67%	45.0%	1,998.3	0.74%	41.0%
Volvo	4,131.5	1.35%	46.7%	3,299.2	1.22%	45.9%
Buick	6,143.4	2.01%	51.4%	5,657.6	2.09%	44.2%

Baoxin Auto generated the majority of its revenue from aftersales repair service for BMW and Land Rover & Jaguar, with the revenue from the above two brands representing over 80% of other revenue for the last two years and the period ended 30 September 2015.

In 2013, 2014, January to September 2014 and January to September 2015, revenue from aftersales repair service for BMW amounted to RMB1,806,500,000, RMB2,006,442,000, RMB1,427,088,000 and RMB1,481,125,000, respectively, representing a gross profit margin of sales of 46.8%, 47.2%, 47.8% and 47.9%, respectively. The gross profit margin of aftersales repair service for BMW was comparatively stable.

In 2013, 2014, January to September 2014 and January to September 2015, revenue from aftersales repair service for Land Rover and Jaguar amounted to RMB374,423,000, RMB572,206,000, RMB427,143,000 and RMB315,218,000, respectively, representing a gross profit margin of sales of 57.5%, 55.9%, 56.7% and 47.9%, respectively. Affected by the recall event of Land Rover brand, the gross profit margin of aftersales repair service for January to September 2015 decreased.

(IV) Procurement of major products

Baoxin Auto purchases automobiles and spare parts from automakers in its ordinary course of business. Baoxin Auto enters into agreements with automakers through its subsidiaries (outlets) in respect of the granting of authorization to sell automobiles of certain brands in the regions and relevant restrictions thereon, and purchases new automobiles from automakers in accordance with the dealership contracts entered into with such automaker as well as dealership policies. Baoxin Auto has maintained good communication and long term partnership with major automakers of the brands it operates.

(V) Measures for production safety and environmental protection

The repair and maintenance services, as part of the passenger vehicle dealership and service business, might be exposed to risks involved in production. To address such risks, Baoxin Auto has established a production safety management mechanism to ensure the operation of such businesses is compliance with the national laws, regulations, and regulatory requirements for the relevant industry, as well as its own requirements for quality control and risk management..

Baoxin Auto is a passenger vehicle dealership and service group, the daily business operation of which does not involve any production activities, and therefore does not belong to the industries with high levels of energy consumption and pollution. According to the report produced by Baoxin Auto, Baoxin Auto did not face any material penalties imposed due to its violation against the laws, regulations, and regulatory documents with respect to environmental protection in the last three years.

(VI) Service quality control

During the reporting periods, in addition to upholding the principles of "Customers First, Management and Service Foremost", Baoxin Auto adheres to the values of "Integrity, Pragmatism, and Excellence", thereby providing users of passenger vehicles with presale and aftersales services under its global uniform standards for a variety of brands. As a passenger vehicle dealership and service group focused on high-end luxury brands, Baoxin Auto always considers customer demands as its origin and principles for various brands during its business operation. With its commitment to top quality vehicle services, Baoxin Auto not only fully implements its service orientation focusing on full-range customer satisfaction, but also fully demonstrates the integrated advantages of the group. By doing so, Baoxin Auto strives to realize the highest level of customer satisfaction and enhance its overall competitive strength to the maximum extent.

To ensure the overall service quality in various outlets, in particular new outlets, Baoxin Auto provides regular training programs for all employees that deal with customers in each outlet, where the relevant in-house learning can be rolled out in all subsidiaries. The headquarters of the group conducts regular and irregular on-site inspection over stores of its subsidiaries, as well as on-site investigation into the business operations. In addition, Baoxin Auto constantly evaluates customer service quality in the outlets of its subsidiaries through customer review for the purposes of continuing to improve service procedures and standards as well as service quality.

VI. OWNERSHIP OF MAJOR ASSETS, EXTERNAL GUARANTEE AND LIABILITIES

(I) Major assets of the Target Company in Mainland China

1. Fixed assets

As at 30 September 2015, the carrying amount of the property, plant and machine, furniture and fixtures of Baoxin Auto is RMB2,393,582,000, details of which are set out below:

Unit: RMB'0,000

Item	Original value	Accumulated depreciation	Net value	Newness rate
Buildings	209,684.6	35,266.1	174,418.5	83.18%
Plant and machinery	24,259.1	11,903.5	12,355.6	50.93%
Furnitureand fixtures	23,083.6	13,070.8	10,012.8	43.38%
Motor vehicles	63,940.5	21,369.2	42,571.3	66.58%
Total	**320,967.8**	**81,609.6**	**239,358.2**	**74.57%**

(1) Property

(i) Basic information of property

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto's self-owned property includes property erected on self-owned and leased land, the details of which were as follows:

Baoxin Auto's Property Erected on its Self-Owned Land

No.	Building Ownership Certificate Number	Building Owner	Building Location	Gross Floor Area of the Bulding (Square Meters)	Certified Use	Mortgage or not
1	Ying Fang Quan Zheng Zhan Zi No. F20130200131	Yingkou Yandebao Auto Sales Service Limited*(营口燕德宝汽车销售服务有限公司)	1 Shenying Road, Zhanqian District	6,334.00	Business Service	No
2	Da Fang Quan Zheng Gan Dan Zi No. 2003800606	Dalian Yanbao Auto Limited*(大连燕宝汽车有限公司)	699-1 Huabei Road, Gan Jingzi District	802.82	Non-residential	No
3	Da Fang Quan Zheng Gan Dan Zi No. 2003800607	Dalian Yanbao Auto Limited*(大连燕宝汽车有限公司)	699-1 Huabei Road, Gan Jingzi District	2,373.00	Non-residential	No
4	Jing Fang Quan Zheng Kai Gang Ao Tai Zi No. 00003	Beijing Yanbao Auto Services Limited*(北京燕宝汽车服务有限公司)	26 North Hongda Road, Beijing Economic-Technological Development Area	6,313.52	Industrial and Corporate Use	No
5	Pending completion	Tangshan Yinhua Auto Sales Service Limited*(唐山银华汽车销售服务有限公司)	North Kang Gezhuang Village, Yuehe Town, Kaiping District	4,559.00	/	No
6	Xi'an Building Ownership Certificate Gao Xin Qu Zi No. 105010409-22-1-10101	Xi'an Jinhua BMW Auto Services Limited*(西安金花宝马汽车服务有限公司)	No. 190, Four Keji Road, Unit 10101, High-tech Park	1,780.09	Workshop	No
7	Xi'an Building Ownership Certificate Gao Xin Qu Zi No.105010409-22-1-10102	Xi'an Jinhua BMW Auto Services Limited*(西安金花宝马汽车服务有限公司)	No. 190, Four Keji Road, Unit 10102, High-tech Park	726.78	Showroom	No
8	Fu Fang Quan Zheng Cu Zi No. 202256	Fuyang Baoxin Auto Sales Service Limited*(富阳宝信汽车销售服务有限公司)	957 North Jinqiao Road, No. 1 Building, Yinhu Street	557.78	Non-residential	No
9	Fu Fang Quan Zheng Cu Zi No.202257	Fuyang Baoxin Auto Sales Service Limited*(富阳宝信汽车销售服务有限公司)	957 North Jinqiao Road, No. 2 Building, Yinhu Street	9,905.09	Non-residential	No
10	(Ning) Fang Quan Zheng Ning Hai Zi No. X0089386	Ninghai Baoxin Auto Sales Service Limited*(宁海宝信汽车销售服务有限公司)	2 West Pingan Road	5,784.79	Business	No
11	Su Fang Quan Zheng Wu Zhong Zi No. 00238806	Suzhou Baoxin Auto Sales Service Limited*(苏州宝信汽车销售服务有限公司)	2588 Wudong Road, Building 1, Guoxiang Street, Suzhou Wuzhong Economic Development Zone	4,439.66	Non-residential	No
12	Pending completion	Suzhou Baoxin Auto Sales Service Limited*(苏州宝信汽车销售服务有限公司)	2588 Wudong Road, Building 1, Guoxiang Street, Suzhou Wuzhong Economic Development Zone	2,903.00	/	No
13	熟房权证山字第号 Shu Fang Quan Zheng Yu Shan Zi No. 14007704	Changshu Baoxin Auto Sales Service Limited*(常熟市宝信汽车销售服务有限公司)	High-Tech Industrial Park, 9 Zhuhai Road, Building 1, Changshu Economic And Technological Development Zone	24,557.55	Business Service	No
14	Pending completion	Zhongyouhang (Xinjiang) Investment Limited*(中油航（新疆）投资有限公司)	620 North Kanas Lake Road, Urumqi Economic and Technological Development Zone	8,809.03	/	Yes
15	Pending completion	Jiangsu Hulong Investment Industries Limited*(江苏沪隆投资实业有限公司)	to the southeast corner at the intersection between Northwest Raocheng Road and North Yangtze River Road, Yangzhou	30,007.00	/	No

No.	Building Ownership Certificate Number	Building Owner	Building Location	Gross Floor Area of the Bulding (Square Meters)	Certified Use	Mortgage or not
16	Tai Fang Quan Zheng Gao Xin Zi No. S0010899	Taizhou Xinbaohang Auto Sales Service Limited*(泰州信宝行汽车销售服务有限公司)	99 Weiba Road, Taizhou Economic Development Zone	6,874.55	Non-residential	No
17	Pending completion	Baoji Yande Auto Sales Service Limited*(宝鸡燕德宝汽车销售服务有限公司)	to the southwest at the intersection between Nanhuan Road and Chezhan Road, Chencang District	5,099.00	/	No
18	Pending completion	Karamay Xindebao Trading Limited*(克拉玛依鑫德宝经贸发展有限公司)	to the southwest corner at the intersection of Xihuan Road and Yinbin Road, Karamay	3,897.25	/	No
19	Pending completion	Tianjin Yanshunjie Investment Limited*(天津燕顺捷投资有限公司)	14 Chuyuan Road, Dasi Town, Xiqing District	7,483.27	/	No
20	Pending completion	Wuxi Tianhua Auto Sales Service Limited*(无锡天华汽车销售服务有限公司)	1555 Huishan Avenue, Huishan Economic Development Zone, Wuxi	6,000.00	/	No

Baoxin Auto's Property Erected on its Leasehold Land

No.	Lessor	Nature of Land	Lessee	Leasehold Area (Square Meters)	Lease term	Area of self-constructed building (Square Meter)
1	Beijing Jingang Exhibition and Exposition Limited*(北京金港展览展示有限公司)	Collective Land	Beijing Yanyingjie and Yangshunjie Auto Sales Service Limited*(北京燕英捷燕顺捷汽车销售服务有限公司)	5,466.00	2010.9.15-2030.9.14	9,814.00
2	Beijing Jingang Exhibition and Exposition Limited*(北京金港展览展示有限公司)	Collective Land	Beijing Yanbao Auto Services Limited*(北京燕宝汽车服务有限公司)	13,333.33	2004.7.19-2049.7.18	9,740.00
3	Kennwill Far East Limited	Collective Land	Dongguan Baoxin Auto Sales Service Limited*(东莞宝信汽车销售服务有限公司)	18,448.60	2012.8.22-2032.8.22	11,549.00
4	Langfang Oriental Property Development Limited*(廊坊东方房地产开发有限公司)	State-owned Land	Langfang Yanbao Auto Sales Service Limited*(廊坊燕宝汽车销售服务有限公司)	8,591.00	2011.1.24-2031.1.24	2,747.00
5	Langfang Oriental Property Development Limited*(廊坊东方房地产开发有限公司)	State-owned Land	Langfang Yanbao Auto Sales Service Limited*(廊坊燕宝汽车销售服务有限公司)	4,000.00	2013.10.15-2031.10.15	2,110.00
6	Qingdao Baoxin Firm*(青岛宝信行)/Qingdao Branch Office of Shanghai Dingxin Financing Lease Limited* (上海鼎信融资租赁有限公司青岛分公司)/ Qingdao Hengju*(青岛恒骏)	Collective Land	Shanghai Baoxin Auto Sales Service Limited*(上海宝信汽车销售服务有限公司)	6,600.00	2007.10.12-2027.10.12	10,670.00
7	Jinhou Villager Committee*(金后村村民委员会) in Tingtian Town, Ruian	Collective Land	Ruian Baolong Auto Sales Service Limited*(瑞安市宝隆汽车销售服务有限公司)	9,471.40	2008.11.30-2023.11.29	5,762.00
8	Shanghai Dengta Industrial Trading Limited*(上海灯塔工贸有限公司)	Collective Land	Shanghai Baoxin Auto Sales Service Limited*(上海宝信行汽车销售服务有限公司)	9,333.38	2012.10.1-2024.9.30	12,232.60
9	Shanghai Jinqiao Joint Processed Product Export Limited*(上海金桥出口加工区联合发展有限公司)	State-owned land	Shanghai Kailong Jinhu Auto Technology Service Limited*(上海开隆金沪汽车技术服务有限公司)	4,732.60	2011.6.30-2016.9.30	6,355.00
10	Shanghai Jiande Produce Exchange Operation and Management Limited*(上海建德农贸市场经营管理有限公司)	Collective Land	Shanghai Pacific Jinsha Auto Sales Service Limited*(上海太平洋金沙汽车销售服务有限公司) and Shanghai Zhongchuan Auto Sales Service Limited*(上海中创汽车销售有限公司)	2,000.01	2009.10.15-2027.10.15	5,458.00
11	Dongying Shunji Auto Sales Limited*(东营顺吉汽车销售有限公司)	State-owned land	Shanghai Tianhua Auto Sales Limited*(上海天华汽车销售有限公司)	6,875.00	2014.4.1-2024.3.31	5,120.00

No.	Lessor	Nature of Land	Lessee	Leasehold Area (Square Meters)	Lease term	Area of self-constructed building (Square Meter)
12	Shanghai Jinqiao Joint Processed Product Export Limited*(上海金桥出口加工区联合发展有限公司)	Collective Land	Shanghai Xinlong Auto Sales Service Limited*(上海信隆汽车销售服务有限公司)	15,739.40	2011.6.30-2016.9.30	6,357.00
13	Tianjin Three Thousand Group Limited*(天津三千集团有限公司)	Collective Land	Tianjin Baoxin Auto Sales Service Limited*(天津宝信汽车销售服务有限公司)	15,456.00	2012.3.1-2032.2.28	9,068.00
14	Tianjin Three Thousand Group Limited*(天津三千集团有限公司)	State-owned transfer	Tianjin Baoxin Auto Sales Service Limited*(天津宝信汽车销售服务有限公司) (partially held by Tianjin Rongwo Auto Sales Service Limited*(天津荣沃汽车销售服务有限公司) and Tianjin Baodi Auto Sales Service Limited*(天津宝迪汽车销售服务有限公司))	16,800.08	2009.6.15-2039.6.15	24,547.00
15	Yantai Yicheng Auto Maintenance Service Limited*(烟台市奕丞汽车维修服务有限公司)	Collective Land	Yantai Baoxin Auto Sales Service Limited*(烟台宝信汽车销售服务有限公司)	22,092.00	2013.6.4-2033.6.3	10,899.00

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto leased a total of 78 buildings with a total gross floor area of 283,216.34 square meters. Baoxin Auto entered into the relevant leasehold contracts or related agreements with the lessors of these buildings.

(ii) Relevant defects

a. Discrepancy between actual use and intended use of self-owned buildings

In accordance with the relevant requirements, occupants of buildings shall use such buildings according to the intended purposes as set forth under the relevant permits, without any changes to such purposes. As to buildings owned by Baoxin Auto, the actual use of two buildings deviated from their intended use. These two buildings were intended for industrial and workshop purposes. However, Baoxin Auto in fact altered such intended purposes for store operation (which refers to Item 4 and 6 on the list of buildings erected on the self-owned land). The total gross floor area of these buildings is 8,093.61 square meters, accounting for 5.81% of the total gross floor area of the buildings as owned by Baoxin Auto, as well as 1.46% of the total gross floor area of buildings occupied by Baoxin Auto (including those buildings owned by Baoxin Auto and its subsidiaries in the domestic market, buildings erected on land owned by third parties, and leased buildings, with a total area of 554,852.12 square meters).

According to the explanations provided by the Target Company, the relevant competent authorities were aware of the aforesaid defects with respect to the buildings occupied by Baoxin Auto. As at the date of this Report, Baoxin Auto did not receive any written notice from such relevant competent authorities requesting the removal of such buildings.

b. Lack of building ownership certificates for self-owned buildings

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto had 8 buildings erected on the self-owned land with a total gross floor area of 68,757.55 square meters (which refers to Item 5, 12, 14, 15, 17, 18, 19, and 20 on the list of buildings erected on the self-own land). Amongst which, Baoxin Auto already used such buildings as store operations (with a total gross floor area of 65,854.55 square meters) and staff quarters (with a gross floor area of 2,903 square meters), save as provided that Baoxin Auto has not obtained the building ownership certificates and all necessary documents with respect to construction.

In consideration that these buildings are constructed by Baoxin Auto with partial legal documents with respect to construction, Baoxin Auto will not be faced with substantial legal obstacles in terms of occupation and use, unless the relevant competent government authorities request removal in the future.

c. Buildings erected on the leased third-party land

In accordance with the relevant requirements under the law of the PRC, transfer, assign, or lease of land use rights of farmers' collectively-owned land for non-agricultural purposes is not permitted without approval. According to the information and explanations provided by the Target Company, as 30 September 2015, Baoxin Auto erected 10 buildings on the leased collective land with a total gross floor area of 91,549.6 square meters.

As the aforesaid buildings are those erected by Baoxin Auto on the leased land, Baoxin Auto was unable to process the relevant construction documents in its own name, nor was Baoxin Auto able to obtain any building ownership certificates.

According to the land leasehold contract entered into by Baoxin Auto and the lessors, Baoxin Auto will not be faced with substantial legal obstacles in terms of occupation and use, unless the relevant government authorities request removal in the future.

According to the information and explanations provided by the Target Company, as 30 September 2015, Baoxin Auto erected 5 buildings on the leased state-owned land with a total gross floor area of 40,879 square meters.

As the aforesaid buildings are those erected by Baoxin Auto on the leased land, Baoxin Auto was unable to process the relevant construction documents in its own name, nor was Baoxin Auto able to obtain any building ownership certificates.

According to the land leasehold contract entered into by Baoxin Auto and the lessors, Baoxin Auto will not be faced with substantial legal obstacles in terms of occupation and use, except unless the relevant government authorities request removal in the future.

d. Leasehold of buildings on the collective land

According to the information and explanations provided by the Target Company, as at 30 September 2015, 13 buildings as leased by Baoxin Auto were those erected on the collective land with a total gross floor area of 77,725.88 square meters, accounting for 14.01% of the total gross floor area of buildings as occupied by Baoxin Auto.

In accordance with the relevant requirements under the PRC law, transfer, assign, or lease of land use rights of farmers' collectively-owned land for non-agricultural purposes is not permitted without approval. Therefore, Baoxin Auto's interests under such lease may not be protected under the PRC law.

e. Buildings without the building ownership certificates of lessors

According to the information and explanations provided by the Target Company, as at 30 September 2015, the building ownership certificate (or legal construction documents) owned by lessors with respect to 23 buildings (excluding those buildings erected on the leased collective land) as leased by Baoxin Auto are not available. The total gross floor area of such buildings is 56,928.74 square meters, accounting for 10.26% of the total gross floor area of the buildings as occupied by Baoxin Auto.

f. Conclusion

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto had buildings (excluding self-erected buildings on the leased land) whose actual use deviates from the intended use and lack of the building ownership certificates (and possible obstacles from obtaining such building ownership certificates) with a total defected area of 76,851.16 square meters, accounting for 55.21% of the total gross floor area of buildings as owned by Baoxin Auto and 13.85% of the total gross floor area of the buildings as occupied by Baoxin Auto.

As at 30 September 2015, Baoxin Auto erected 15 buildings on the leased third-party land with a total gross floor area of 132,428.6 square meters, accounting for 23.87% of the gross floor area of the buildings as occupied by Baoxin Auto.

As at 30 September 2015, Baoxin Auto erected 13 buildings on the leased collective land with a total gross floor area of 77,725.88 square meters, accounting for 14.01% of the gross floor area of the buildings as occupied by Baoxin Auto.

As at 30 September 2015, the building ownership certificate (or legal construction documents) owned by lessors with respect to 23 buildings (excluding those buildings erected on the leased collective land) as leased by Baoxin Auto are not available. The total gross floor area of such buildings is 56,928.74 square meters, accounting for 10.26% of the total gross floor area of the buildings as occupied by Baoxin Auto.

As at 30 September 2015, the gross floor area of the buildings as owned or occupied (in any form) by Baoxin Auto or with defects in their legality accounted 61.99% of the total gross floor area of the buildings as occupied by Baoxin Auto.

In consideration of the land and properties with defects in varied forms, Guanghui Group provided an irrevocable undertaking, whereby stating in case that, upon Baoxin Auto having become the subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming the subsidiaries of CGA, Guanghui Group agrees to bear and indemnify CGA, Baoxin Auto or its subsidiaries from any losses, damages, claims, costs and expenses caused, incurred, or suffered by Baoxin Auto or its subsidiaries arising from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities.

2. Intangible Assets

(1) Land use rights

(i) Basic information about land use rights

According to the information and explanations provided by the Target Company, as 30 September 2015, basic information regarding the land use rights with respect to the land owned by Baoxin Auto is set out as follows:

No.	Ownership Certificate	Location	Use	Nature of the Land	Usable Area (m^2)	Date of Termination
1	Ying Kou Guo Yong (2011) No. 210038	East Zhuanglin Road and North Shenying Road, Zhanqian District	Commercial Land	Transfer	19,936.00	2051.04.01
2	Da Guo Yong (2003) Zi No. 04001	Quanshui Village, Nanguan Ling Street, Gan Jingzi District	Business Service Land	Transfer	10,003.10	2042.12.11
3	Jing Ji (Zhong Wai) Guo Yong (97) Zi No.010	26 North Hongda Road, Beijing Economic-Technological Development Area	Industrial Land	Transfer	12,255.62	2047.05.04
4	Fang Di Zheng Jin Zi No.111051400074	to the west of 2 Guihua Road, Dasi Industrial Park, Dasi Town, Xiqing District	Industrial Land	Transfer	24,477.80	2062.10.29
5	Ji Tang Guo Yong (2011) No.16456	North Kang Gezhuang Village, Yuehe Town, Kaiping District	Wholesales and Retail Land	Transfer	5,856.01	2050.08.10
6	Ji Tang Guo Yong (2011) No.9705	North Kang Gezhuang Village, Yuehe Town, Kaiping District	Industrial Land	Transfer	4,143.98	2060.08.10
7	Xi Gao Ke Ji Guo Yong (2005) No.77106	No.190, Four Keji Road, High-tech Park	Industrial Land	Transfer	9,675.70	2051.10.09
8	Fu Guo Yong (2012) No.000409	Lot A-10, North Jinqiao Road, Fuchun Street (Fuyang Auto Trade Mall)	Wholesales and Retail Land	Transfer	7,232.00	2051.11.29
9	Ning Guo Yong (2012) No.01178	Phase I, A5 Jiuqin District, No. 9-2, Logistics Center	Other Business Service Land	Transfer	4,972.00	2050.04.25
10	Hang Xiao Guo Yong (2010) No.0800073	Ningwei Town (Qianjiang Century Town)	Business Office Land	Transfer	5,176.00	2049.04.23

11	Wu Guo Yong (2009) No.06100332	2588 Wudong Road, Guoxiang Street, Wuzhong District, Suzhou	Industrial Land	Transfer	9,687.00	2055.05.23
12	Chang Guo Yong (2013) No.22314	High-Tech Industrial Park, 9 Zhuhai Road, Changshu	Other Business Service Land (054)	Transfer	8,604.00	2047.10.24
13	Xi Hui Guo Yong (2015) No.004493	to the northeast at the intersection between Tianfeng Road and Huishan Avenue, Huishan District	Urban Residential Land	Transfer	35,814.80	2084.07.28
14	Xi Hui Guo Yong (2014) No.000523	to the west of Qianqiao Avenue, Qianqiao Street and to the north of West Shengan Road, Huishan District	Other Business Service Land (In Progress)	Transfer	20,969.50	2053.11.28
15	Bing Shi E Shi Guo Yong (2013) No.2800204	621 North Kanas Lake Road, Urumqi Economic and Technological Development Zone	Wholesales and Retail Land	Transfer	23,831.71	2051.03.31
16	Bing Shi E Shi Guo Yong (2013) No.2800205	620 North Kanas Lake Road, Urumqi Economic and Technological Development Zone	Wholesales and Retail Land	Transfer	16,162.04	2051.11.30
17	Wu Guo Yong (2013) No.0040268	Suzhou Road, Economic and Technological Development Zone	Other Business Service Land	Transfer	7,726.09	2050.11.15
18	Yang Guo Yong (2011) No.0214	to the southeast corner at the intersection between Northwest Raocheng Road and North Yangtze River Road, Yangzhou	Business Service	Transfer	10,549.10	2051.04.14
19	Tai Zhou Guo Yong (2013) No.13929	99 Weiba Road, Taizhou Economic Development Zone	Wholesales and Retail Land	Transfer	9,999.70	2051.04.12
20	Ke Guo Yong (2012) No.3002098	South Xihuan Road	Business Service Land	Transfer	12,072.56	2051.04.14
21	Yong Guo Yong (2014) No.0505442	Old Residential Xu Village, Hongtang Street, Jiangbei District	Wholesales and Retail Land	Transfer	13,166.00	2053.12.05
22	Bao Shi Guo Yong (2014) No.113	to the southwest at the intersection between Nanhuan Road and Chezhan Road, Chencang District	Other Business Service Land	Transfer	10,548.70	2054.11.9
23	In Progress[Note]	1555 Huishan Avenue, Huishan Economic Development Zone, Wuxi	Business Service Land	Transfer	5,303.50	未提供

Note: This parcel of land is transferred from a third party. An agreement is entered into with the transferor in relation to the land transfer, and the transfer consideration with respect to the land and the corresponding building(s) was fully paid to the transferor. Currently, the land use right certificate with respect to such parcel of land is in progress.

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto leased 11 parcels of land in total with a total area of 69,072.13 square meters, and entered into the leasehold contract with the respective lessors of such land.

(ii) Relevant defects

a. Discrepancy between actual use and intended use of self-owned land

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto owned five parcels of state-owned land (namely No. 3, 4, 6, 7 and 11 as set out in the above land use rights basic information list) intended for industrial use with a total area of 60,240.10 square meters, accounting for 20.90% of the total area under the land use rights as owned by Baoxin Auto, as well as 16.86% of the total usable area of Baoxin Auto (i.e. 357,321.04 square meters).

In accordance with the relevant requirements under the PRC law, in case of changes to land construction, land users are required to obtain approval from the relevant administrative land department, and report such changes to the original people’s government for approval. Where use of state-owned land is not based on the permitted use, the administrative land department under the people’s government at the county level or above will request the return of such land and impose fines.

Baoxin Auto informed the relevant administrative land department of the changes to land construction. As at the date of this Report, Baoxin Auto did not receive any written notice from such administrative land department requesting the return of such land.

According to the information and explanations provided by the Target Company, as at 30 September 2015, the actual use of Baoxin Auto's three parcels of land (namely No. 15, 16 and 17 as set out in the above land use rights basic information list) were in part were used for forestation purposes. The said area amounted to 11,273 square meters in total, accounting for 3.91% of the total area under the land use rights as owned Baoxin Auto, as well as 3.15% of the total area under the land use rights as occupied by Baoxin Auto.

b. Land use rights for which the land use right certificates are yet to be obtained

According to the information and explanations provided by the Target Company, as at 30 September 2015, one parcel of self-owned land of Baoxin Auto with a site are of 5,303.5 square meters has not obtained land use right certificate, accounting for 1.84% of the total area under the land use rights as owned by Baoxin Auto as well as 1.48% of the total area under the land use rights as occupied by Baoxin Auto. Such parcel of land was transferred from a third party to a group member of the Target Company in mainland China which has entered into an agreement in respect of the land transfer and fully paid the consideration for the transfer of land and relevant buildings erected thereon. To date, the application for land use right certificate for such parcel of land has been in progress.

c. Lessors' lack of land use right certificates

According to the information and explanations provided by the Target Company, as at 30 September 2015, the lessors' land use right certificates with respect to seven parcels of land as leased by Baoxin Auto (excluding the collective land and forestation land as leased by Baoxin Auto) were not available. The total area of such land is 26,220.01 square meters, accounting for 7.34% of the land area as occupied by Baoxin Auto.

d. Lease of collective land

According to the information and explanations provided by the Target Company, as at 30 September 2015, six parcels of land as leased by Baoxin Auto were collective land with a total area of 37,086.12 square meters, accounting for 10.38% of the land area as occupied by Baoxin Auto. Baoxin Auto will use such land for parking purposes.

In accordance with the relevant requirements under the PRC law, transfer, assign, or lease of land use rights of farmers' collectively-owned land for non-agricultural purposes is not permitted without approval. Therefore, Baoxin Auto's interests under such lease may not be protected under the PRC law.

e. Lease of forestation land

According to the information and explanations provided by the Target Company, as at 30 September 2015, one parcel of land as leased by Baoxin Auto was intended for forestation purposes with a land area of 5,852 square meters, accounting for 1.64% of the land area as occupied by Baoxin Auto.

In accordance with the relevant requirements under the PRC laws, occupants of land shall use such land according to the intended purposes as set forth under the relevant planning permits, without any changes to such purposes. Therefore, Baoxin Auto's interests under such lease may not be protected under the PRC law.

f. Conclusion

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto had land whose land use rights fail to comply with the intended land use and the outstanding land use right certificates with a total defected area of 76,816.6 square meters, accounting for 26.66% of the total area under the land use rights as owned by Baoxin Auto and 21.50% of the total area under the land use rights as occupied by Baoxin Auto.

As at 30 September 2015, the total defected land area with respect to the land as leased by Baoxin Auto in terms of collective land, forestation land, and land without the lessors' land use right certificates was 69,158.13 square meters, accounting for 19.35% of the total area under the land use rights as exercised by Baoxin Auto.

In conclusion, as 30 September 2015, the land area as owned or occupied (in any form) by Baoxin Auto or with defects in its legality accounted for 40.85% of the land area as occupied by Baoxin Auto.

In consideration of the land and properties with defects in varied forms, Guanghui Group provided an irrevocable undertaking, whereby stating in case that, upon Baoxin Auto having become the subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming the subsidiaries of CGA, Guanghui Group agrees to bear and indemnify CGA, Baoxin Auto or its subsidiaries from any losses, damages, claims, costs and expenses caused, incurred, or suffered by Baoxin Auto or its subsidiaries arising from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities.

(2) Trademark

As of the date of this Report, the basic conditions of the trademarks owned by Baoxin Auto were as follows:

No.	Owner	Trademark	Registration number of trademark	classification	Valid term of registration
1	Shanghai Baoxin Automobile Sales & Services Co., Ltd.		10275750	12	2013.3.14-2023.3.13
2	Shanghai Baoxin Automobile Sales & Services Co., Ltd.		10275647	37	2013.3.28-2023.3.27
3	Shanghai Kailong Automobile Trading Co., Ltd.	开 隆	3678941	37	2006.1.21-2016.1.20
4	Beijing Yanbao Auto Service Co., Ltd.	燕宝 YANBAO	3057716	35	2013.5.14-2023.5.13
5	Beijing Yanbao Auto Service Co., Ltd.	燕宝 YANBAO	3057715	37	2013.5.21-2023.5.20
6	Shanghai Kailong Automobile Trading Co., Ltd.	KAILONG 开 隆	9506571	35	2012.6.21-2022.6.20

3. Construction in progress

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto had a total of three construction projects in progress erected on its own land as follows:

No.	Project name	Construction progress	Place of construction	State-owned land use certificate	Building construction permit
1	Hangzhou Baoxin Building	Completion inspection and acceptance in progress	钱江世纪城（Qianjiang Century Town*)	Hang Xiao Guo Yong [2010] No.0800073	330181201111080201
2	Auto Industry and Trade Park Project	Under construction	乌鲁木齐经济技术开发区（Urumuqi Economic	Bing Shi Er Shi Guo Yong [2013] No.2800204, Bing Shi	In progress

No.	Project name	Construction progress	Place of construction	State-owned land use certificate	Building construction permit
			and Technology Development Zone *)	Er Shi Guo Yong [2013] No.2800205, Wu Guo Yong [2013] No.00402268	
3	BMW 4S Store	Under construction	West Side of Qianqiao Avenue and North Side of Sheng'an West Road, Qianqiao Street, Huishan District	Xi Hui Guo Yong [2014] No. 000523	320206020140220

There are two construction projects in progress which have obtained the corresponding approvals or permits of the relevant land and the construction of projects against the construction progress, while the remaining one construction in progress has not yet obtained the building construction permit. According to the explanation of Baoxin Auto, there are no substantive legal obstacles for it to obtain the building construction permit for such construction in progress. The failure of Baoxin Auto to obtain the building construction permit would not have materially adverse effect on the normal production and operation of Baoxin Auto and on the Transaction.

4. Mortgage or pledge of major assets and other ownership restrictions

According to the information and explanations provided by the Target Company, as at 30 September 2015, Baoxin Auto had the rights to use three parcels of land owned by it with a total area of 47,719.84 square meters. The self-owned buildings and constructions in progress on these parcels of land with a gross floor area of 8,809.03 square meters have been pledged[1].

5. Qualifications for principal operations

The operations which Baoxin Auto and its subsidiaries are engaged in mainly include: sales of brand vehicles, automobile leasing, motor vehicle repair, automobile decoration, insurance agency, automobile financial leasing, advertisement, pre-owned brokerage, other automobile service-related businesses, etc. According to the information and explanations provided by the Target Company, as at the date of this Report, the information on the relevant permits and licenses obtained by Baoxin Auto and its subsidiaries is as follows:

No.	Name of permit/approval	Number of companies required to obtain a permit/approval	Permit/approval obtained
1	Road transport license/Automobile repair business permit	55	51 subsidiaries having obtained a valid license; three subsidiaries having obtained the licenses the term of which has elapsed
2	Insurance agency license	30	29 subsidiaries having obtained a valid license; one subsidiary having not obtained a license
3	Insurance agency license	3	Three subsidiaries having obtained a valid license
4	Automatic import & export permit for automobile products	1	No subsidiary having obtained a valid license; One subsidiary having not obtained a license
5	Approval for automobile financial leasing business	1	One subsidiary having obtained a valid approval
6	Approval for automobile leasing business	1	One subsidiary having obtained a valid approval

As at the date of this Report, three subsidiaries of Baoxin Auto which are engaged in the automobile repair business are handling the renewal formalities for their respective permits, while one subsidiary engaged in insurance agency business without obtaining the relevant business license. In addition, one subsidiary is engaged in the automobile import and export business had not yet obtained the automatic import and export permit for the automobile products.

According to the explanation given by Baoxin Auto, there are no substantive legal obstacles for the aforesaid five companies to renew relevant permits and to apply for and obtain relevant permits; As at the date of this report, neither the Company or the Offeror confirmed with the counterparties the compensation obligations arising from the administrative penalties imposed by the competent government authorities against the remaining five companies for their failure to renew or obtain the relevant permits.

[1] According to the information provided by Target Company, based on the need of the entrust loan between domestic subsidiaries of the Target Company, the pledge was provided by a subsidiary of the Target Company, namely Zhong You Hang (Xinjiang) Investment Co., Ltd. (as the borrower and pledger of the entrust loan) with its own land, buildings and constructions in progress to the relevant bank of handling entrust loan (as the trustee and pledgee of the entrust loan) pursuant to the instructions of Shanghai Baoxin Automobile Sales & Services Co., Ltd. (a subsidiary of the Target Company) (as the entruster of the entrust loan) as the guarantee of the entrust loans.

Currently, no administrative penalties had been imposed upon the aforesaid five companies of the Target Company within the PRC by the competent government authorities for their failure to renew permits in time or to obtain relevant permits. Regarding the said permits subject to renewal, Baoxin Auto currently is processing the renew procedures. In addition, those permits yet to be obtained are currently being processed. Despite material uncertainties arising from the pending renewal of the relevant permits and the application, The operation of Baoxin Group on a going-concern basis will not be adversely and materially affected.

(II) Major assets of the Target Company overseas

1. Properties leased and other tangible assets
(1) Leased Properties

Baoxin Auto leased from Supreme Linker Limited the property at units 2205, 22/F, Bank of America Tower, 12 Harcourt Road, Hong Kong for office purpose, for a term from 21 January 2014 to 20 January 2016.

As a company listed on the Hong Kong Stock Exchange, Baoxin Auto has established an office in Hong Kong to facilitate the communication with regulatory authorities in Hong Kong. According to the explanation of Baoxin Auto, it is negotiating with Supreme Linker Limited for renewal of lease, which is expected to renew to the lease upon expiry in January 2016. If failed, Baoxin Auto would lease its office space in other suitable location. As these leased properties are not the important plants of Baoxin Auto for production and operation, they will have no material and adverse impact on the operation of Baoxin Auto on a going-concern basis.

(2) Leased tangible assets

Eagle Reach Group Limited (as lessee), an offshore member of the Target Company, and GE Capital Services Pte Ltd. (as lessor) entered into an aircraft leasing agreement on 3 December 2013. The lease term under this agreement expires on the day falling the 120th month from the delivery date, subject to adjustments thereunder. The lessee shall have the right to purchase the aircraft in certain conditions; the Target Company has confirmed that the delivery date for the aircraft is a day in December 2013 and that the leasing agreement remains valid. As set out in the aircraft leasing agreement, the rents were US$499,692.50 per quarter, and the lease term was ten years. Pursuant to the leasing agreement, the lessee may exercise its option to purchase the aircraft at the price of US$18,145,891, US$15,500,663 and US$ 13,044,929 in the 36th, 60th and 84th months respectively during the lease term; or purchase at special price, i.e. US$21,500,000on special sales date (no earlier than 12 months after the delivery date and no later than 18 months after the delivery date)

The aircraft mainly provides transport services for the directors and senior management of Baoxin Auto to attend business engagements as and when necessary and conduct business meeting with business partners.

Based on the terms of the leasing agreement, requirements under the Hong Kong Financial Reporting Standards and the actual use of the aircraft by Baoxin Auto, the lease is classified as an operating lease and the annual lease payment thereunder was accounted for in accordance with the accounting requirements for operating leases, recording in the corresponding expense account and with disclosure of corresponding operating lease commitments made in the relevant financial statements.

Pursuant to the terms of the leasing agreement, classifying the lease as an operating lease rather than financial lease was based on the following judgments:

(i) one of the conditions of being a financial lease is that the ownership of the leased asset transfers to the lessee upon expiration of the lease. Judging from the leasing agreement, there is no provision of transferring the ownership of the aircraft to Baoxin Auto upon expiration of the lease term, and the lease is accordingly classified as an operating lease rather than financial lease.

(ii) one of the conditions of being a financial lease is that the lessee has the option to purchase the leased asset at the agreed price which is expected to be far less than the fair value of the leased asset when the option is exercised, accordingly it is reasonably certain at the inception that the lessee will exercise the option. Pursuant to the leasing agreement, the lessee may exercise its option to purchase the aircraft at the price of US$18,145,891, US$15,500,663 and US$13,044,929 in the 36th, 60th and 84th months respectively during the lease term. Taking into account the fact that Baoxin Auto paid rents of US$5,996,310, US$9,993,850 and US$ 13,991,390 for the three periods, respectively, the purchase price plus the paid rents is approximate to, rather than far less than, the fair value of the aircraft of US$21,500,000 as at the date of purchase. Furthermore, the management of Baoxin Auot had no intention to buy the aircraft during the 36th, 60th and 84th months of the lease term. Therefore, the lease does not meet the condition of classifying as a financial lease.

(iii) the aircraft, which was put into use in 2009, has a depreciable life of 20 years and was leased at a term of ten years. Hence, the estimated lease term/ remaining service life (20-4) = 62.5%＜75%. One of the conditions of being a financial lease is that the lease term represents a substantial majority (75% or more) of the remaing service life of the leased asset. Judging from this condition, the lease does not meet the condition of classifying as a financial lease, and thus is classified as an operating lease.

(iv) for the purpose of the lessee, if it constitutes a financial leasing, the present value of the minimum lease payment at the inception of the lease approximates to the carrying amount of the leased assets at the inception of the lease. In accordance with the leasing agreement, details of Baoxin Auto are as follows:

Value of the aircraft at the date of purchase = US$21,500,000
Quaterly rents = US$499,692.50
Other transaction costs = US$200,000.00
Eefective interest rate = 1m Libor + 5 % (approximately 1.29 % per quarter)
Present value of minimum lease payment = 499,692.50*(P/A, 1.29%，40) + 200,000.00 = US$15,730,659.84
15,730,659.84 / 21,500,000 = 73.17 %＜90%.

Based on the above calculations, it does not meet the condition of being a financial lease, and should be classified as an operating lease.

(v) one of the conditions of being a financial lease is that if no refit is made, the leased asset could only be used by the leesee due to its special nature

the aircraft is a general-purpose plane with no refit done to meet the use of Baoxin Auto. As such, the lease does not meet the condition of being a financial lease, and should be classified as an operating lease.

2. Trademark

Baoxin Auto owns the following trademarks overseas:

Trademark	Registration number of trademark	classification	Valid term of registration
A. B.	302095308	35	2021.11.23

(III) External guarantee

According to the explanation given by Baoxin Auto, as of the date of this Report, there were no external guarantees provided by Baoxin Auto and its subsidiaries.

(IV) Major liabilities

According the reviewed financial report of Baoxin Auto, as at 30 September 2015, the total liabilities of Baoxin Auto were RMB14,576,743,000, including the current liabilities of RMB11,150,577,000 and the non-current liabilities of RMB3,426,166,000. Particulars of major liabilities were as follows:

Unit: RMB'0,000

Item	30 September 2015	As a percentage of total liabilities
Current liabilities:		
Bank loans and other borrowings	546,641.2	37.50%
Trade and bills payables	440,294.8	30.21%
Income taxes payable	50,961.7	3.50%
Other payables and accruals	77,008.7	5.28%
Dividends payable	151.3	0.01%
Total current liabilities	**1,115,057.7**	**76.50%**
Non-current liabilities:		
Bank loans	266,986.6	18.32%
Bonds	42,745.3	2.93%
Deferred tax liabilities	32,884.7	2.26%
Total non-current liabilities	**342,616.6**	23.50%
Total liabilities	**1,457,674.30**	**100.00%**

(V) Material disputes arising from litigation, arbitration or juridical enforcement or other situations that would obstruct the transfer of title

1. Basic information about pending litigations

As at the date of this Report, the pending material litigations in which Baoxin Auto and its subsidiaries have been involved are as follows:

(1) Suzhou Baoxin Automobile Sales & Services Co., Ltd.（苏州宝信汽车销售服务有限公司）, a subsidiary of the Target Company in the PRC, acquired the entire equity interest of Zhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) from Zhong You Hang Holdings Limited (中油航控股有限公司). However, upon completion of the acquisition, it found out that Zhong You Hang Holdings Limited (中油航控股有限公司)withheld the fact that the land with an area of approximately 17 mu owned by Zhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) is designated for forestation purpose and thus cannot be used for its intended purpose. Consequently, Suzhou Baoxin Automobile Sales & Services Co., Ltd.(苏州宝信汽车销售服务有限公司）has filed a lawsuit against Zhong You Hang Holdings Limited (中油航控股有限公司) seeking compensation of approximately RMB26,000,000;

(2) Beijing YanHao Auto Sales & Service Co., Ltd. (北京燕豪汽车销售服务有限公司) (“Beijing YanHao”), a subsidiary of the Target Company in the PRC, entered into a lease agreement and supplemental agreement with Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) for the leasing of the No. 215 land lot located at Zhangyi village, Fengtai District, Beijing to establish a Volvo 4S store. However, it turned out that the land lot is designated for forestation and thus cannot be used for its intended purpose. As a consequence, Beijing YanHao has filed a lawsuit demanding the termination of the agreement, refund of rentals and accrued interest thereon and compensation totaling approximately RMB61,300,000 while Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) lodged a counterclaim against Beijing YanHao alleging breach of the agreement and demanding liquidated damages of approximately RMB17,800,000.

(3) Industrial Bank Co., Ltd. Jincheng Branch brought a suit against Jincheng Tangrong Industry Co., Ltd. (晋城市唐荣实业有限公司) (a subsidiary of the Target Company) and 6 guarantors (including Jincheng Tangdi Auto Sales and Services Co., Ltd. (晋城市唐迪汽车销售服务有限公司)) for its failure to make timely payment for the bills payable under two commercial bill acceptance agreements entered into between them, demanding the payment of the principal amount and accrued interest thereon totaling approximately RMB8,130,000.

(4) On 28 March 2013, Shanghai Baoxin Automobile Sales & Services Co., Ltd. (上海宝信汽车销售服务有限公司) (“Shanghai Baoxin”) entered into a cooperation agreement with Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司), pursuant to which both parties would jointly establish and operate a Jaguar & Land Rover 4S store in the Zone C5 at the middle section of Fengcheng 5th Road. However, due to disputes arising from their disagreement over the cooperation, both parties have filed lawsuits against each other, Shanghai Baoxin demanding the refund of fixed income, deposit for cooperation and interest on late payments totaling RMB2,871,600, and Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司) demanding the refund of gains and interest on late payments totaling RMB6,955,000.

As at the date of this Report, save for the above material litigations, Baoxin Auto had not been involved in any material disputes arising from the material litigation, arbitration or juridical enforcement that would affect this Restructuring or other material situations that would obstruct the transfer of title, nor was it under investigation by judicial authorities on suspicion of committing a crime or under investigation by SFC or Hong Kong Stock Exchange on suspicion of breaching the laws or regulations.

2. Whether estimated liabilities have been provided for the possible compensation liabilities on the part of the Target Company

According to Hong Kong Financial Reporting Standards, the estimated liabilities shall be recognized if meeting the following conditions:

(1) Actual liabilities have been established from past transactions or matters;
(2) The fulfillment of such liabilities are very likely to result in outflow of economic benefits;
(3) The amount of such liabilities can be reliably measured.

As at the disclosure of the Major Assets Restructuring Report, the Target Company and its subsidiaries were subject to four pending material litigations (above RMB5 million), among which, as to the litigations to which Suzhou Baoxin Auto Sales Service Limited and Zhongyouhang (Xinjiang) Investment Limited, two domestic subsidiaries of the Target Company are parties, the Target Company is the plaintiff and therefore is not subject to possible compensation liabilities. As such, the estimated liabilities were not recognized for such matters as the recognition conditions are not met;

In the lawsuit that Industrial Bank Co., Ltd. Jincheng brought against Jincheng Tangrong Industry Co., Ltd.(a group member of the Target Company) and 6 guarantors (including Jincheng Tangdi Auto Sales and Services Co., Ltd.) for its failure to make timely payment for the bills payable under two commercial bill acceptance agreements entered into between them, demanding the payment of the principal amount and accrued interest thereon totaling approximately RMB8,130,000, Jincheng Tangrong Industry Co., Ltd. is the debtor under the main contract, while the guarantee by Jincheng Tangdi Auto Sales and Services Co., Ltd. as a Joint and several liability guarantor was made after the date of equity transfer agreement. According to the equity transfer agreement between Baoxin Auto and Jincheng Tangdi Auto Sales and Services Co., Ltd., the transferee and the transfer subject assume no liabilities in respect of the debts resulted from matters after date of equity transfer, and all the obligations and liabilities incurred shall be in the responsibility of the transferor. Hence, Baoxin Auto takes no responsibility for such guarantee and the original shareholder, i.e. the transferor, shall be in undertaken of the liability according to the relevant equity transfer agreement. As such, the estimated liabilities were not recognized for such matters as the recognition conditions are not met.

Another two lawsuits the Target Company involved is unlikely to lose according to the judgment of management of Baoxin Auto on balance sheet date, and the probability of outflow of economic benefits is below 50%, which is inconformity with the liability recognition conditions. On the other hand, as the two lawsuits were at the stage of first-instance proceedings at the time, the possible amount of outflow of economic benefits cannot be reasonably measured by the management. As such, the estimated liabilities were not recognized for the two lawsuits as the recognition conditions are not met.

As at the date of this Report, the lawsuit between Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Zhong You Hang (Xinjiang) Investment Co., Ltd. and the lawsuit by Jingcheng Branch of Industrial Bank Co., Ltd. against Jingcheng Tang Rong Industrial Co., Ltd. (晋城市唐荣实业有限公司) and the six guarantors including Jingcheng Tang Di Automobile Sales Service Co., Ltd. (晋城市唐迪汽车销售服务有限公司) are at the stage of first-instance proceedings; Beijing YanHao Auto Sales & Service Co., Ltd.(a subsidiary of the Target Company in the PRC) and Beijing Xinmin Investment Co., Ltd. won the case in the first instance. The parties involved in such case have instituted an appeal, and the case is at the stage of the second instance; the first instance on the case between Shanghai Baoxin Automobile Sales & Services Co., Ltd. and Shaanxi Huayue Auto Parts & Repair Co., Ltd. against the target company has concluded, whereby the court ruled that the cooperative agreement entered into between both parties has been terminated and rejected the appeals of both parties. Neither of the parties has instituted appeal against such judgment, and the case has concluded.

3. Possible indemnity responsibility the Target Company may take in respect of pending actions

According to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror in December 2015, Baoxin Covenantors jointly and severally make a series of statements and promises in respects of compliance status of the Target Company to the Offeror, including ensure the Target Company Group has no pending order, decree or judgment by any court or government agencies or regulatory institutions, and if failure of such undertakes, Baoxin Covenantors jointly and severally compensate for any losses may incurred or suffered by the CGA, the Offeror and its related parties upon requests.

However, the claim in respects of any undertakes Baoxin Covenantors made is subject to following limitations: (i) any claim shall be informed of Baoxin Covenantors on or before 31 March 2018; (ii) Baoxin Covenantors take no liabilities for any claim, save for the amounts involving exceeding HK$6,057,000 or its equivalent amount of other currencies individually, in such case, each Covenantor assumes liability for all the amount instead of the exceeding part; (iii) The total liabilities of the Baoxin Covenantors with respect to all claims for breach of warrenties shall not exceed the liability cap (i.e. HK$242,280,000); (iv) Baoxin Covenantors take no responsibility for any penalty and fine punishment; (v) Baoxin Covenantors take no responsibility for following claims: if the related losses compensate through insurance policy and the Offeror, or any holding company of the Offeror or any subsidiary of the holding company or member of a Group substantially obtained sufficient compensation under the policy, in such case, the Offeror shall seek for compensation under related policy to his/her all reasonable endeavours.

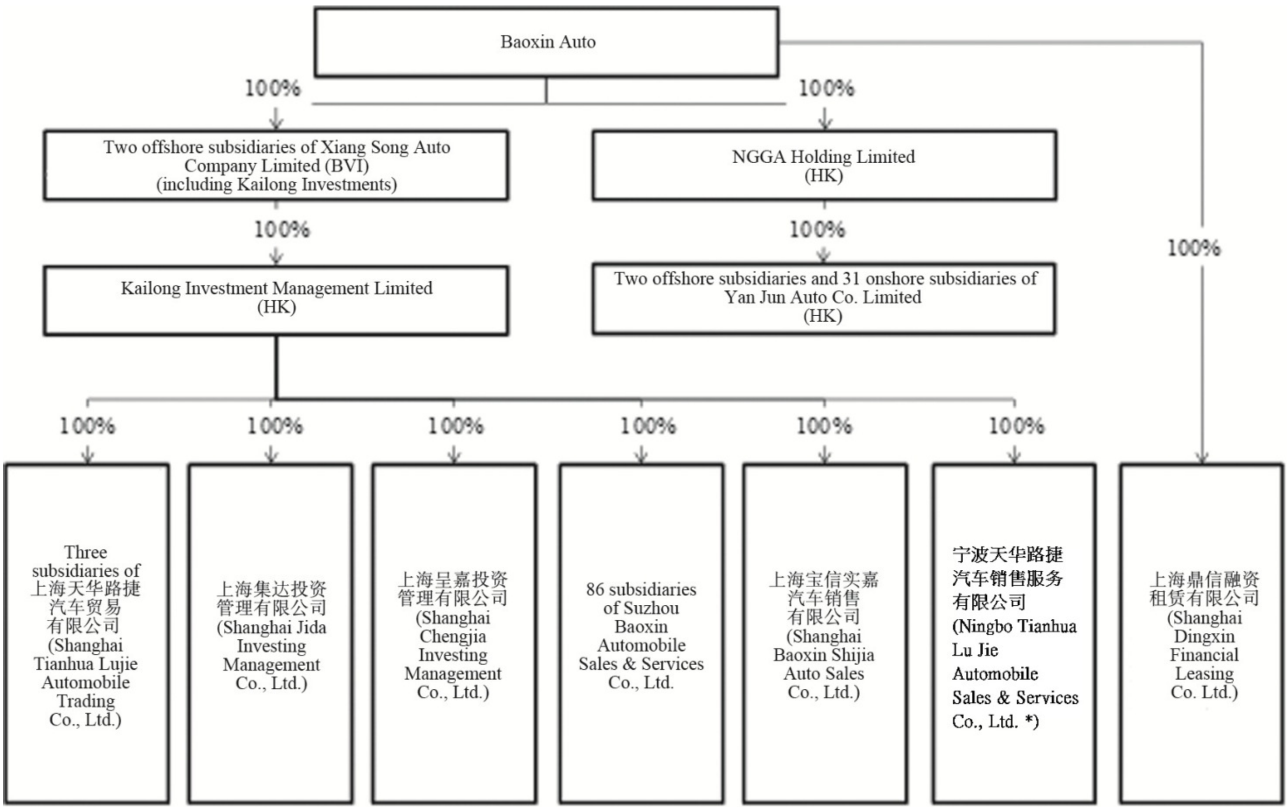
Accordingly, subject to fulfillment of the above conditions, the issuer and the Offeror may claim for compensation from Baoxin Covenantors according to such contractual stipulations in respects of material responsibility of compensation involved by members of Target Company Group.

VII. INFORMATION OF SUBSIDIARIES

(I) Structure of the subsidiaries of the Target Company

As at the date of this Report, Baoxin has established a total of 166 group member companies in mainland China, including 127 controlled subsidiaries and 39 branches.

Baoxin Auto currently manages its subsidiaries and the dealership network mainly through the regional platform companies. The chart below illustrates the basic structure of the subsidiaries of Baoxin Auto:



(II) Basic information on the subsidiaries of the Target Company

The information of the offshore subsidiaries and first-grade onshore subsidiaries of Baoxin Auto is as follows:

No.	Company name	Shareholding structure	Scope of business
1	上海天华路捷汽车贸易有限公司 (Shanghai Tianhua Lujie Automobile Trading Co., Ltd.)	Kailong Investments Management Limited (100%)	Sales of automobiles, wholesales, import & export and commission agency of auto parts and accessories, hardware tools and mechanical and electrical equipment (excluding auction); trade consulting. For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities
2	上海集达投资管理有限公司 (Shanghai Jida Investing Management Co., Ltd.)	Kailong Investments Management Limited (100%)	Investment consulting, business information consulting; marketing planning, corporate image planning. For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities
3	上海呈嘉投资管理有限公司 (Shanghai Chengjia Investing Management Co., Ltd.)	Kailong Investments Management Limited (100%)	Investment consulting, business information consulting; marketing planning, corporate image planning. For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities
4	Suzhou Baoxin Automobile Sales & Services Co., Ltd.	Kailong Investments Management Limited (100%)	Repair of Category I vehicles (sedans); motor vehicle insurance agency. Retailing of Brilliance BMW and imported BMW brand vehicles, MINI brand vehicles as well as various auto parts and accessories, hardware, electrical equipment, mechanical and electrical equipment; production and processing: metal products; pre-owned automobile dealership; automobile registration formalities (for others); business information consulting (with regard to the commodities subject to quota management, to make applications in accordance with the relevant regulations of the State). (For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities)
5	上海宝信实嘉汽车销售有限公司 (Shanghai Baoxin Shijia Auto Sales Co., Ltd.)	Kailong Investments Management Limited (100%)	Sales of commercial vehicles and passenger vehicles with more than nine seats; engaged in the wholesaling and importing and exporting auto parts and accessories (including technologies). For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities
6	宁波天华路捷汽车销售服务有限公司 (Ningbo Tianhua Lu Jie Automobile Sales & Services Co., Ltd. *)	Kailong Investments Management Limited (100%)	Sales of passenger vehicles with more than nine seats; wholesaling and retailing of hardware and electrical equipment, building materials, chemical raw materials (hazardous chemicals excluded); dealership and brokerage of pre-owned cards. (With regard to the commodities subject to quota and license management, to make applications in accordance with the relevant regulations of the State)
7	上海鼎信融资租赁有限公司 (Shanghai Dingxin Financial Leasing Co. Ltd.	Baoxin Auto (100%)	Financial leasing; leasing; purchase of leased property from domestic and overseas vendors; treatment of residual value of and maintenance of leased property; consultation on leasing transactions and guarantee. For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities
8	Yan Jun Auto Co. Limited	NCGA Holdings Limited (100%)	Investment holding
9	Xiangsong Auto Company Limited	Baoxin Auto (100%)	Investment holding
10	Eagle Reach Group Limited	Xiangsong Auto Company Limited (100%)	Investment holding, trading and consultation
11	Kailong Investment Management Limited	Xiangsong Auto Company Limited (100%)	Investment holding
12	NCGA Holdings Limited	Baoxin Auto (100%)	Investment holding

No.	Company name	Shareholding structure	Scope of business
13	Gin Wi Enterprises Group (H.K.) Limited	Yan Jun Auto Co. Limited (100%)	Investment holding
14	Mclarty Consulting Hong Kong Limited	Yan Jun Auto Co. Limited (100%)	Consultancy
15	Extensive Prosperous Investments Limited	Baoxin Auto (100%)	Investment holding

In accordance with a share pledge agreement entered into between Xiangsong Auto Company Limited, an offshore subsidiary of the Target Company, and GE Capital Services Pte Ltd. on 3 December 2013, in order to provide guarantee for the performance of the aircraft leasing agreement entered into on the same day in respect of the leasing of an aircraft, Xiangsong Auto Company Limited pledged its 100% equity interests held by it in Eagle Reach Group Limited to GE Capital Services Pte Ltd. According to the explanation of the Target Company, such pledge has not yet been released as of the date of this Report.

VIII. ACQUISITION AND DISPOSAL OF ASSETS WITHIN THE LAST TWELVE MONTHS, PENDING LITIGATIONS, OCCUPATION OF FUNDS FOR NON-OPERATING PURPOSES AND GUARANTEES PROVIDED FOR ANY RELATED PARTIES

(I) Asset acquisition and disposal within the recent twelve months

On 28 August 2015, Baoxin Auto entered into an agreement to sell the shares of Extensive Prosperous Investments Limited (昌广投资有限公司) (“Extensive Prosperous”) (with a book value of RMB 86,301,000 as at 30 June 2015) to Orient Rich Investment Development Limited, a company wholly-owned by Mr. Yang Aihua, at the consideration of RMB100 million. The only asset of Extensive Prosperous is a 38% equity interest in Autostreets, which operates an integrated platform for both online and offline auto service. As the financial performance of Extensive Prosperous made a net loss of RMB23,374,000 for 2014, Baoxin Auto terminated its investment in Extensive Prosperous and Autostreets to concentrate on the development of its principal business. The transaction did not constitute a material asset disposal. As at the date of this Report, Orient Rich Investment Development Limited did not pay the consideration for equity transfer, nor did Extensive Prosperous Investments Limited file change of shareholders. Thus, the Transaction is in progress pending completion. According to the explanations of Baoxin Auto, it is expected that the Delivery and equity transfer will be completed before March 2016.

The sole assets of Extensive Prosperous are the 38% equity interests in Auto Street which operates an online and offline integrated platform. Since its establishment, Extensive Prosperous has recorded poor financial performance with a loss of RMB 23,374,000 in 2014. As agreed in the equity transfer agreement, such disposal will result in certain investment gains for Baoxin Auto.

(II) Occupation of funds by related parties for non-operating purpose

The fund transaction between Baoxin Auto and its related parties represents amounts due from related parties, the balance of which as at 30 September 2015 are as below:

Unit: RMB’0,000

Related party	30 September 2015
Shenyang Xinbaohang Automobile Sales & Services Co., Ltd. (沈阳信宝行汽车销售服务有限公司)	4,083.5
Autostreets	1,059.6
Total	**5,143.1**

Shenyang Xinbaohang Automobile Sales & Services Co., Ltd is a joint venture of Baoxin Auto, while Autostreets and Baoxin Auto are under common control of the same de facto controller. As at 30 September 2015, the amounts due from Shenyang Xinbaohang Automobile Sales & Services Co., Ltd of RMB40,835,000 represents the advancement to the related party for capital lending purpose, while the amounts due from Autostreets of RMB10,596,000 represents the historical payment of staff salary by Baoxin Auto on behalf of Autostreets.

(III) Guarantees provided in favor of related parties

According to the statement issued by Baoxin Auto, as at the date of this Report, no guarantee has been provided by Baoxin Auto for its related parties.

IX. MATTERS REGARDING THE APPROVAL OF PROJECTS, ENVIRONMENTAL PROTECTION, ETC.

The Target Assets under the Transaction represent the equity and Share Options of Baoxin Auto, which does not involve any matters regarding the approval of projects, environmental protection, etc.

X. EQUITY TRANSFER, INCREASE IN CAPITAL, ASSETS APPRAISAL AND CORPORATE TRANSFORMATION IN THE RECENT THREE YEARS

(I) Equity transfer

As at 4 December 2015, the price of shares of the Target Company was HK$4.15 per share. The following chart illustrates the movements in the share price of the Target Company since 2013:

Closing price (unit: HK$)

(II) Assets appraisal and corporate transformation in the last three years

The Target Company is a company listed in Hong Kong. There was no occurrence of any circumstance involving any assets appraisal or corporate transformation in the last three years.

SECTION V PRINCIPAL TERMS OF THE TRANSACTION CONTRACT

I. PRINCIPAL TERMS OF THE OFFERS ANNOUNCEMENT

(I) Parties involved the Transaction

Purchaser: CGA

Offeror: CGA (Hong Kong)

Target Company: Baoxin Auto

(II) Transaction Target

The Target Company's issued shares and outstanding Share Options. The Offeror will acquire a minimum of 1,286,430,716 shares (representing 50% of the issued share capital of Baoxin Auto on an as converted basis as at the date of the Offers Announcement (assuming that all Share Options of the Baoxin Auto are exercised) plus one share), and a maximum of 1,917,983,571 shares (representing 75% of the share capital in issue) or such higher number of shares (representing 75% of the shares in issue (including any shares for which a valid notice of exercise has been delivered in respect of a Share Option on or after the date of the Offers Announcement and on or before the Final Closing Date) as at the Final Closing Date). The Offeror intends to acquire a maximum of 11,662,500 outstanding Share Options (representing 75% of the entire outstanding Share Options as at the date of the Offers Announcement).

(III) Means of Acquisition

CGA proposes to, subject to the satisfaction or where applicable, waiver of the pre-conditions, make (though the Offeror CGA (Hong Kong)) a pre-conditional voluntary cash Partial Offer to qualifying shareholders of Baoxin Auto to acquire a maximum of 75% of the total issued share capital of Baoxin Auto and make appropriate offer to Optionholders to cancel up to 75% of the outstanding Share Options. The Offers shall comply with the relevant requirements under the Code. Following completion of the Offers, CGA intends to maintain the listing status of Baoxin Auto on the Hong Kong Stock Exchange

(IV) Consideration for the Acquisition

The offer price of HK$5.99 per share under the Partial Offer represents:

(1) a premium of approximately 132.17% over the closing price of HK$2.58 per share as quoted on Hong Kong Stock Exchange on 11 September 2015, being the last trading day prior to the suspension of trading in shares immediately prior to the announcement of 15 September 2015 issued by Baoxin Auto pursuant to Rule 3.7 of the Code;

(2) a premium of approximately 63.66% over the average closing price of HK$3.66 per share, being the average closing price of shares as quoted on Hong Kong Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date;

(3) a premium of approximately 80.97% over the average closing price of HK$3.31 per share, being the average closing price of the shares as quoted on Hong Kong Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date;

(4) a premium of approximately 80.97% over the average closing price of HK$3.31 per share, being the average closing price of the shares as quoted on Hong Kong Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;

(5) a premium of approximately 76.18% over the average closing price of HK$3.40 per share, being the average closing price of the shares as quoted on Hong Kong Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;

(6) a premium of approximately 70.66% over the average closing price of HK$3.51 per share, being the average closing price of the shares as quoted on Hong Kong Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;

(7) a premium of approximately 62.77% over the average closing price of HK$3.68 per share, being the average closing price of the shares as quoted on Hong Kong Stock Exchange for the 5 trading days immediately prior to and including

the Last Trading Date; and

(8) a premium of approximately 44.34% to the closing price of HK$4.15 per share as quoted on Hong Kong Stock Exchange on the Last Trading Date.

The consideration for the cancellation of each Share Option will be the see-through price based on the Offer Price. All the Share Options are exercisable at an exercise price of HK$5.724. As offer price is higher than the exercise price of all the Share Options, the price for the cancellation of Share Options will be HK$ 0.266 per Share Option.

(V) Total Consideration for the Offers

As at the date of this Report, Baoxin Group has 2,557,311,429 issued shares and 15,550,000 outstanding Share Options to subscribe up to 15,550,000 shares. The Partial Offer, based on the Offer Price of HK$5.99 per share, is valued at: (i) approximately HK$7,705,719,988.84 assuming valid acceptances of the Partial Offer are received in respect of 1,286,430,716 shares (representing 50% issued share capital of the Company on an as converted basis as at the date of this Report (assuming that no Share Options of the Company are exercised) plus one share); (ii) approximately HK$11,488,721,590.29 assuming valid acceptances of the Partial Offer are received in respect of 1,917,983,571 shares (representing 75% of the shares in issue as at the date of this Report and assuming that no Share Options are exercised); and (iii) approximately HK$11,558,579,965.29 assuming valid acceptances of the Partial Offer are received in respect of 1,929,646,071 shares (representing 75% of the shares in issue and assuming that all the Share Options are exercised) respectively.

On the basis of the Offer Price of HK$5.99 per share and 2,557,311,429 issued shares as at the date of the Offers Announcement, the entire issued share capital of Baoxin Group is valued at approximately HK$15,318,295,459.71 (assuming that no Share Options are exercised) and HK$15,411,439,959.71 (assuming that all the Share Options are exercised) respectively.

The Option Offer, based on the price for cancellation of each Share Option of HK$0.266 and 15,550,000 outstanding Share Options as at the date of the Offers Announcement, assuming valid acceptances of the Option Offer are received in respect of 11,662,500 Share Options, for which the Option Offer involved is valued at approximately HK$3,102,225.

Based on the foregoing, the aggregate cash consideration payable by the Offeror under the Offers (assuming no Share Options having been exercised and full acceptances under the Offers) will be HK$ 11,491,823,815.29 ,equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HKD against RMB on 4 December 2015, i.e., HK$1=RMB0.82386)

(VI) Pre-conditions to the Offers

The making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the pre-conditions being:

This Transaction is subject to the fulfilment of the following conditions. In other words, the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the pre-conditions being:

1. a filing having been submitted to and formally accepted by MOFCOM made under the Anti-Monopoly Law of the PRC and the Partial Offer and Option Offer having been cleared or, through the expiration of the relevant statutory time periods for review by MOFCOM, having been deemed to have been cleared by MOFCOM under the Anti-Monopoly Law of the PRC, with or without conditions, on terms satisfactory to the Offeror;

2. with respect to the Offeror, the obtaining of approvals or authorizations of, the making of the necessary filings and registrations with, and notifications to, the NDRC, Shanghai Municipal Commission of Commerce of the PRC or departments delegated by it, the Shanghai Stock Exchange and qualified banks approved by SAFE for foreign exchange in connection with the Offers, each on terms reasonably acceptable to the Offeror;

3. the shareholders of CGA passing resolutions at a general meeting to approve the Offers by a majority of not less than two-thirds of the votes cast by the shareholders of CGA present at such general meeting (in person or by proxy) in accordance with the "Administrative Measures for the Major Asset Restructuring of Listed Companies" (《上市公司重大資產重組管理辦法》) issued by the CSRC;

4. the consent of the relevant lenders under the Facility Agreements for the change in the ultimate controlling shareholder(s) of the Target Company being obtained or waived or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder(s) or senior management of the Target

Company under the Facility Agreements, in each case, on terms acceptable to the Offeror and such consent or waiver, as applicable, remaining in full force and effect without material variation;

5. consent from the Executive in respect of the Partial Offer and the Option Offer pursuant to Rule 28.1 of the Code being obtained and such consent remaining in full force and effect;

6. the Target Company having delivered a certificate to the Offeror certifying that tthere has been no change, fact, event or circumstance of Baoxin Auto which has had or would reasonably be expected to have a material adverse effect on the financial position or operations of the Target Company taken as a whole since 30 September 2015 up to and including the time when the last of the pre-conditions set out in (1) to (5) above is satisfied, or where applicable, waived, provided that in no event shall any change, fact, event, or circumstance, individually or in aggregate, constitute or be taken into account in determining the occurrence of a material adverse effect if such material adverse effect relates to (i) changes in general or economic conditions in Hong Kong, the PRC or jurisdictions relevant to the business of the Target Company, (ii) changes in the credit, debt, financial or capital markets or changes in interest or exchange rates, in each case, in Hong Kong, the PRC or jurisdiction relevant to the business of the Target Company, (iii) changes in conditions generally affecting the industry in which any member of the Target Company operates, (iv) any outbreak or escalation of any military conflict, declared or undeclared war, armed hostilities, or acts of foreign or domestic terrorism, and (v) any hurricane, flood, tornado, earthquake or other unusual disaster; and.

7. all warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking remaining true and accurate in all material respects and not misleading in any material respect up to and including the time when the last of the pre-conditions set out in items 1 to 6 above is satisfied or, where applicable, waived, or if there has been a material breach of the warranties given by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid in the Irrevocable Undertaking such breach having been remedied by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid within 30 days of the Offeror first notifying them of such breach.

The Offeror reserves the right to waive pre-conditions 4, 6, and 7 above, either in whole or in part. Pre-conditions 1, 2, 3 and 5 cannot be waived by the Offeror.

In relation to pre-condition 3 above, under the Irrevocable Undertaking, Guanghui Group provided Baoxin Group with an irrevocable undertaking that it will vote for the resolution approving the Offers at the relevant general meeting of CGA.

(VII) Effective conditions of the Offers

The Partial Offer will be conditional upon valid acceptances of the Partial Offer being received in respect of a minimum of 1,286,430,716 shares (representing 50% of the issued share capital of Baoxin Auto on an as converted basis as at the date of the Offers Announcement (assuming that all Share Options of Baoxin Auto are exercised) plus one share) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve), provided that the Offeror shall purchase as many shares as are tendered by the Qualifying Shareholders up to a maximum of 1,917,983,571 shares (representing 75% of the shares in issue as at the date of the Offers Announcement) or such higher number of Shares (representing 75% of the shares in issue (including any shares for which a valid notice of exercise has been delivered in respect of a Share Option on or after the date of the Offers Announcement and on or before the Final Closing Date) as at the Final Closing Date) from the Qualifying Shareholders.

The Option Offer will only become unconditional if the Partial Offer becomes or is being declared unconditional in all respects. The conditions to the Partial Offer and the Option Offer cannot be waived by the Offeror.

In the event that valid acceptances are received:

1. for less than 1,286,430,716 shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Code, the Offers will not proceed and will lapse immediately;

2. for not less than 1,286,430,716 shares on or before the First Closing Date, the Offeror will declare the Partial Offer become unconditional as to acceptances before the First Closing Date.

The Option Offer will only be declared unconditional when the Partial Offer is declared unconditional in all respects.

Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 7th day after the posting of the Composite Document, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the 7th day after the posting of the Composite Document, then the Final Closing Date would be at least 14 days after the date of such declaration.

Pursuant to Rule 28.4 of the Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

Under Rule 28.5 of the Code, a partial offer which could result in the offeror holding 30% or more of the voting rights of a company must normally be conditional on the approval by shareholders holding over 50% of the voting rights not held by the offeror and parties acting in concert with it by means of signifying their approval on a separate box on the form of acceptance.

The Offeror has applied for, and the Executive has indicated that it will grant, a waiver from this requirement on the basis that (i) Baoxin Investment and Auspicious Splendid, holding in aggregate greater than 50% of the voting rights of the Target Company, indicate their approval under Rule 28.5 in writing to the Executive (which has been done as at the date of the Offers Announcement); and (ii) each of Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid confirms that it is not acting in concert with the Offeror in writing to the Executive (which has been done as at the date of the Offers Announcement). Accordingly, the Partial Offer is not conditional upon satisfaction of the requirement under Rule 28.5 of the Code.

II. Main Terms of the Irrevocable Undertaking Agreement

Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror entered into the Irrevocable Undertaking Agreement, the major terms of which are set forth as follows:

(1) CGA and the Offeror shall use their reasonable endeavours to procure the satisfaction of pre-conditions 1, 2, 3 and 5; and each of the Baoxin Covenantors shall (and shall procure each members of Target Company Group) use his/its reasonable endeavours to procure the satisfaction of pre-conditions 4 to 7;

(2) each of the Baoxin Covenantors shall (and shall procure each members of Target Company Group) provide reasonable assistance to CGA and the Offeror to obtain all authorizations from any competent authorities (including but not limited to MOFCOM, NDRC, Shanghai Municipal Commission of Commerce or the department authorized by it, the Shanghai Stock Exchange or the competent foreign exchange authority or the bank approved by SAFE for the purpose of satisfying the pre-conditions, including but not limited to provision of information, documents and assistance as may be necessarily required by the Offeror or its professional consultant;

(3) each of the Baoxin Covenantors shall accept and agree to the terms of the Partial Offer, and undertake to: (i) approve the Partial Offer and accept such Partial Offer with respect to all relevant shares as held by it under Rule 28 of the Code; (ii) accept such Partial Offer without withdrawing such acceptance; (iii) accept the Partial Offer with respect to all relevant shares as held by him/it as soon as possible and in any event by 4:00 p.m. on the third business day after the despatch date and that each of the Baoxin Covenantors will not withdraw such acceptance, provided that each of them acknowledges that upon such acceptance, all or part of the relevant shares held by him/it will be acquired by the Offeror in accordance with the terms of the Partial Offer as set out in the paragraph headed “PART A: Partial Offer and Option Offer” in the Rule 3.5 Announcement; .

(4) each of the Baoxin Covenantors undertakes that Baoxin Investment and Auspicious Splendid are the registered holders and beneficial owners of the relevant shares of Baoxin Group, which are free from all encumbrances and were properly allotted and issued as fully paid-up; and Mr. Yang has the right to exercise all voting rights and other rights attached to such shares held by Baoxin Investment and Auspicious Splendid;

(5) each of the Baoxin Covenantors undertakes that he/it will not, and will procure his/its related parties not to, (i) directly or indirectly sell, transfer, charge, create or grant any options over, or otherwise deal with all or any part of the relevant shares or any interests in such shares, or allow any such action to take place; (ii) create any encumbrance over, or otherwise deal with, all or any part of the relevant shares or any interests in such shares; or (iii) enter into any agreement in respect of the voting or other rights attached to any of the relevant shares, including the entering into of any swap agreement or other arrangement to transfer any economic outcome or rights attached to the ownership of all or any part of the relevant shares or any interests in such shares;

(6) each of the Baoxin Covenantors undertakes that he/it will not accept or promise to accept (whether conditional or unconditional) or further agree to any offer, arrangement, or merger, or other business combination made or proposed by any person other than CGA and the Offeror with respect to the shares;

(7) save as written consent by CGA and the Offeror in advance, each of the Baoxin Covenantors undertakes that he/it will not purchase, acquire, subscribe for, or otherwise deal with any shares or other securities of the Target Company or any interests therein;

(8) each of the Baoxin Covenantors jointly and severally agrees that from the signing date of the agreement and up to the Final Closing Date, he/it will ensure that the Target Company and each member of the Target Company shall only carry out its business in its ordinary and usual course and in such manners as being consistent with its past practices;

(9) Mr. Yang undertakes that he will resign from his office as the Chairman and a Director of the Target Company, and the directorship with any group members of the Target Company, with effect from the date as designated in the Composite Document (and shall procure that the board resolution to the same effect will be duly passed);

(10) the Baoxin Covenantors jointly and severally undertake to procure or ensure that persons nominated by CGA or the Offeror be effectively appointed (by ensuring the necessary board resolutions relating to the appointment are duly passed before the Final Closing Date) as directors of the Target Company, subject to applicable laws and such persons considered to be acceptable by the Hong Kong Stock Exchange and other relevant regulatory bodies, and provided that the number of directors of the Target Company at any time shall not exceed the maximum number stipulated by the articles of associations of the Target Company;

(11) each of the Baoxin Covenantors will jointly and severally compensate CGA, the Offeror, and their related parties for any losses incurred by the Baoxin Covenantors due to failure to perform any of their obligations under the agreement. The total liabilities of the Baoxin Covenantors with respect to all claims for breach of warrenties shall not exceed the liability cap (i.e. HK$242,280,000)

III. Main contents of the Irrevocable Undertaking

Guanghui Group (as the Controlling Shareholder of CGA) entered into the Irrevocable Undertaking of the Controlling Shareholder of the Offeror, the major terms of which are set forth as follows:

1. On or before the date of the CGA's shareholders' general meeting in relation to Offers or the date when the Irrevocable Undertaking ceases to be effective pursuant to its terms, whichever is the earlier, save for any possible pledge made by Guanghui Group of part or all of its CGA shares for the purpose of the Offers (provided that the terms of the pledge will not impair the voting rights of such CGA shares), Guanghui Group will not:

(1) sell, transfer or otherwise dispose any equity interests in CGA held by it which would cause its shareholding to fall below 37% of total issued share capital of CGA;

(2) reach any agreement, arrangement or understanding (other than the Irrevocable Undertaking) in respect of the voting rights or participating rights carried by the CGA shares which might restrict or preclude Guanghui Group's performance of its obligations under the Irrevocable Undertaking; and

(3) enter into or allow the entering into of any agreement or arrangement, or incur or allow the incurring of any obligations in respect of the following two aspects:

(i) Any actions as set out in the aforesaid paragraphs (1) and (2) ; or

(ii) With respect to CGA, anything which will or might restrict or preclude Guanghui Group's performance of its obligations under the Irrevocable Undertaking.

2. As a consideration for the committed acceptance of the Offers by Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid pursuant to the terms and conditions of the Irrevocable Undertaking Agreement entered into ,

(1) Guanghui Group undertakes that it will duly execute the power of attorney or instructions to appoint its corporate representative to attend the shareholders' general meeting according to articles of association; and

(2) Guanghui Group undertakes that it will vote in favour of all the resolutions on the Offers put forward to the shareholders' general meeting in accordance with the voting procedures as announced by the chairperson of the meeting.

IV. Major contents of the Deed of Non-Competition

Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror entered into the Deed of Non-Competition, the major contents of which are as follows:

1. Mr. Yang Aihua, Baoxin Investment, and Auspicious Splendid (the “Baoxin Covenantors”) undertake that they will not and procure their related parties and their family or group members (but excluding the Target Group) not to engage in any of the following activities, whether directly or indirectly, or individually, or in concert with or acting on behalf of any other persons:

(1) to participate in the operation of the Restricted Businesses or become directly or indirectly interested in any Restricted Businesses within the Restricted Area (or any part thereof) during the Restricted Period;

(2) to disclose to other persons or use any confidential information with respect to the identities of the members of the Target Group, their clients, dealers, or suppliers, their products, finance, contractual arrangement, operations, or operating means (except for any information publicly available or as disclosed or revealed under an order issued by any court that has the relevant jurisdiction or any other applicable stock exchange or other regulatory authorities);

(3) within the Restricted Period for Non-solicitation, to solicit or attempt to solicit any person that serves as senior officer, manager, consultant or employee of any member of the Target Group on the date of the Deed of Non-Competition to break off the employment relationship with such member of the Target Group or terminate services to such member of the Target Group at the relevant time, or enter into any employment or service agreement with the Baoxin Covenantors or any of their respective related parties or their group members (except for responses towards common public announcement or recruitment activities that are not particularly specified to such senior officers, managers, consultants or employees or are in general specified to members of the Target Group); or

(4) within the Restricted Period for Non-solicitation, to solicit or attempt to solicit any client, supplier, licensee, licensor, franchisee, lessor, or other business of the members of the Target Group (or any potential client, supplier, licensee, licensor, franchisee, lessor, or other business that are taken into consideration by or under discussion with the members of the Target Group for business relationship) to terminate or avoid business relationship with members of the Target Group, or otherwise intervene with the relationship (or the potential relationship) between (1) any of such clients, suppliers, licensees, licensors, franchisees, or other businesses and (2) any members of the Target Group (including but not limited to any negative statement or communications made with respect to any members of the Target Group).

2. The aforesaid non-competition restrictions shall not preclude or restrict any of the Baoxin Covenantors or any of its related parties or its family or group members from:

(1) acquiring any company or business or interests in any company or business (“Relevant Interests”) regardless the resulting non-compliance with the aforesaid non-competition restrictions, provide that however,

(i) the Relevant Interests shall be less than 5% of the total issued share capital of a company listed on any stock exchange; or

(ii) the turnover attributable to the portion of the Relevant Interests which would result in the non-compliance with the non-competition restrictions at the time of acquisition shall be less than 10% of

(2) engaging in any Excluded Businesses.

3. If a person engages in or participate a business (whether in the capacity of principal or agent) or has direct or indirect interests in such business (whether by virtue of being a shareholder or lender or consultant of any person engaging in or operating such business), such person shall be deemed as being interested in such business;

“Excluded Businesses” mean the interests of Mr. Yang Aihua in Orient Rich Investment Development Limited (润华投资发展有限公司), Extensive Prosperous Investments Limited (昌广投资有限公司) and Autostreets and the businesses operated by such three companies. However, (i) the businesses of such three entities relate to the operation of integrated platforms for both online and offline auto service; and (ii) such entities does not participate in any Restricted Businesses or become directly or indirectly interested in any Restricted Businesses within the Restricted Area (or any part thereto) during the Restricted Period.

“Restricted Period for Non-solicitation” means the period starting from the closing date and ending on the date which is one year from the closing date.

“Restricted Area” means the PRC (or if this country is deemed to be not enforceable, then each province where the Restricted Businesses are operated from time to time; or if such each province is deemed to be not enforceable, then each city where the Restricted Businesses are operated from time to time or such smaller area as necessarily required by law for the purpose of being enforceable);

“Restricted Businesses” means the operation of any physical automotive 4S (sales, spare parts, service and survey) dealership stores in the PRC;

“Restricted Period” means the period starting from the closing date and ending on the date which is one year from the closing date (or if such one-year period is deemed to be not enforceable, then six-month period, or such shorter period as necessarily required by law for the purpose of being enforceable).

V. Main contents of Earnest Money Agreement

On 13 September 2015, CGA and Baoxin Auto entered into the Earnest Money Agreement, the major terms of which are as below:

(1) CGA agreed to pay a refundable earnest money in a sum in RMB equivalent to HK$50 million to Baoxin Auto or its designated subsidiary within two days from the date of this Earnest Money Agreement;

(2) If the Offers fail to be completed by June 30, 2016, the earnest money shall be returned to CGA on June 30, 2016 (without any interests to be accrued thereon);

(3) If the Offers are completed by June 30, 2016, the earnest money shall be returned to CGA within five business days after the Final Closing Date (without any interests to be accrued thereon).

Pursuant to such terms, CGA paid the aforesaid earnest money to Baoxin Auto on 14 September 2015.

SECTION VI COMPLIANCE ANALYSIS FOR THE TRANSACTION

I. THE TRANSACTION IS IN COMPLIANCE WITH ARTICLE 11 OF THE RESTRUCTURING MEASURES

(I) Compliance with the PRC industrial policies and relevant requirements of laws and administrative regulations relating to environment protection, land administration and anti-monopoly

Baoxin Auto is a leading luxury automobile dealership and service group in the PRC. The Transaction is in compliance with relevant national industrial policies such as the Guiding Opinions of the MOFCOM on Promoting the Development of Automobile Circulation Industry in the "12th Five-Year Plan" Period (《商务部关于促进汽车流通业"十二五"发展的指导意见》).

As an automobile dealership and service group, Baoxin Auto does not have a production process in its daily operation activities and does not operate in high energy-consumption or high-pollution industries. Baoxin Auto has not been subject to any material penalties due to breach of any environmental laws, regulations or regulatory documents in the last three years and therefore stays in compliance with relevant requirements in environment protection of the PRC.

Baoxin Auto has obtained the land use rights necessary for its operations by means of transfer or acquisition, but some parcels of land are subject to certain defects such as noncompliance in the uses of land or absence of State-owned Land Use Certificates (《国有土地使用证》). The land with non-compliance issues covers a total area of 76,816.6 square meters, accounting 21.50% of the site area of the land use rights used by Baoxin Auto. As at 30 September 2015, the total defected land area with respect to the land as leased by Baoxin Auto in terms of collective land, forestation land, and land without the lessors' land use right certificates was 69,158.13 square meters, accounting for 19.35% of the total area under the land use rights as exercised by Baoxin Auto. In conclusion, as of 30 September 2015, the land area as owned or occupied (in any form) by Baoxin Auto or with defects in its legality accounted for 40.85% of the land area as occupied by Baoxin Auto.

Guanghui Group has provided an irrevocable undertaking, whereby stating in case that, upon Baoxin Auto having become the subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming the subsidiaries of CGA, Guanghui Group agrees to bear and indemnify CGA, Baoxin Auto or its subsidiaries from any losses, damages, claims, costs and expenses caused, incurred, or suffered by Baoxin Auto or its subsidiaries arising from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities. Therefore, the aforesaid land defects would not pose any material impact on the normal operations of Baoxin Auto.

In accordance with requirements of relevant laws and regulation such as the Anti-monopoly Law of the PRC, the Transaction is subject to reporting requirements for concentration of undertakings and CGA has made a filing with the Anti-Monopoly Bureau of MOFCOM in respect of the operator concentration examination.

In light of the foregoing, upon obtaining the approval from MOFCOM in respect of the operator concentration examination, the Transaction is in compliance with the PRC industrial policies and relevant requirements of laws and administrative regulations in environment protection, land administration and anti-monopoly.

(II) The Company will remain qualified for stock listing upon the completion of the Transaction

As the Transaction does not involve issuance of shares, it will not have any effect on the total share capital or shareholding structure of the Company, and therefore will not make the Company disqualified from listing of its shares in terms of shareholding structure or shareholding distribution.

In conclusion, the Transaction will not make the Company disqualified for listing of its shares.

(III) The assets involved in the Transaction are priced in an arm's length manner without impairing the lawful interests of the Listed Company or its shareholders

The consideration for the Transaction is determined after taking into consideration of, among others, (i) the market capitalization of the Target Company, (2) the strategic value to be brought to the Company by the brand and channels of the Target Company, and (3) the synergies to be achieved after completion of the acquisition. Pursuant to the independent opinions issued by the independent directors of CGA, the pricing of the Transactionis fair, and there is nothing that would impair the interests of Listed Company and its shareholders.

The Transaction will go through relevant procedures in accordance with relevant laws. The board of directors of the Company has engaged and appointed qualified intermediaries to issue valuation reports, verification reports, legal opinions and independent financial adviser's report and will fulfill relevant regulatory application and approval procedures in accordance with relevant regulatory requirements of laws and regulations. There is no circumstances in the process of the Transaction which would impair the lawful interests of the Listed Company or its shareholders.

In light of the foregoing, the assets involved in this Restructuring are priced in an arm's length manner without impairing the lawful interests of the Listed Company or its shareholders.

(IV) The assets involved in the Transaction have clear titles without any legal impediment in transfer or handover of the assets and the arrangements for relevant debts and creditor's rights are lawful

The subject of this Transaction represents the shares and share options of the Target Company. According to the Foreign Legal Opinion issued by the Offshore Legal Adviser, the Target Company is a company incorporated in and validly exists under the laws of Cayman Islands. The Target Company is listed on the Main Board of the Hong Kong Stock Exchange with the Target Assets having clear titles. Upon completion of the Transaction, Baoxin Auto will become an indirect subsidiary of CGA and continue to exist as an independent legal entity, assuming or enjoying all of its debts and creditor's rights. As such, the Transaction does not involve transfer of the debts and creditor's rights of Baoxin Auto. This Transaction will be conducted by way of the Offers, without any ownership dispute or potential dispute and free from any charge, pledge or other restrictions on ownership. As such, there is no legal impediment that would hinder the transfer of the assets.

The Transaction will involve a change in the control of the Target Company whose controlling shareholder and de facto controller will be changed to CGA (Hong Kong) and Mr. Sun Guangxin, respectively, upon completion of the Transaction. With respect to the Facility Agreements entered into between the Target Company and overseas financial institutions, one of the pre-conditions to the Offers is to obtain consents or waiver from the relevant lenders under the Facility Agreements for the change in the ultimate controlling shareholder of the Target Company or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder or senior management of the Target Company under the Facility Agreements. Pursuant to the agreements governing the issuance of US$ bonds by the Target Company and the loan agreements entered into between the Target Company and certain domestic financial institutions, any change in the control of the Target Company is subject to the consent of relevant creditors of Baoxin Auto. If the creditors do not grant their consent to waive the obligation of early repayment of the debts resulting from the change of the controlling rights or senior management, such creditors may demand Baoxin Auto to repay the debts before they fall due.

(V) The Transaction will help strengthen the sustainable operation capability of the Company and will not result in the circumstances where the Company will, after the Restructuring, have cash as its major assets or have no specific operation activities

Both the Target Company and the Listed Company operates in the automobile retailing industry. Upon completion of the Restructuring, the Listed Company and Baoxin Auto will exert and integrate the advantages and resources of both parties in automobile sales, cost management, distribution of 4S dealership stores, which will help exert synergies as a whole.

As such, the Transaction will help strengthen the sustainable operation capability of the Company and will not result in the circumstances where the Company will, after the Restructuring, have cash as its major assets or have no specific operation activities.

(VI) The Transaction will be conductive to maintaining the independence of the Company

Upon completion of the Transaction, the controlling shareholder and de facto controller of the Listed Company will remain the same, and the controlling shareholder and de facto controller of CGA will remain to be Guanghui Group and Mr. Sun Guangxin, respectively. Prior to the Transaction, the Listed Company is independent of its controlling shareholder in terms of business, assets, finance, personnel and organization. Upon completion of the Transaction, the Listed Company will remain independent of its controlling shareholder, de facto controller and entities controlled by it in terms of business, assets, finance, personnel and organization.

(VII) The Transaction will help the Company to establish sound and effective corporate governance structure

CGA has established a corporate governance structure comprising shareholders' general meeting, the board of directors, the board of supervisors and senior management in accordance with relevant requirements of the laws and regulations such as the Company Law, and a coordinated and balanced mechanism with clear delineation of duties and powers and standard operation among authorities, decision-makers, supervising body and the management.

Upon completion of the Transaction, CGA will still adopt various measures to further optimize its governance structure and standard operation in accordance with the requirements of laws and regulations such as the Company Law, Securities Law and the Standard for Governance of Listed Companies, so as to maintain a sound and effective corporate governance structure.

In light of the foregoing, the Transaction will help CGA to maintain a sound and effective corporate governance structure.

II. OPINIONS OF THE INDEPENDENT FINANCIAL ADVISERS AND LEGAL ADVISER

(I) Opinions of Independent Financial Advisers

Southwest Securities Company Limited (西南证券股份有限公司) and China Securities Co., Ltd. (中信建投证券股份有限公司) as the Independent Financial Advisers on the Transaction, have issued independent financial adviser's reports and expressed their opinions as follows:

"The Transaction complies with the relevant requirements of laws and regulations such as the Company Law of the Peoples Republic of China and the Securities Law of the Peoples Republic of China, with due procedures having been fulfilled and necessary information disclosure having been made in accordance with relevant laws and regulations. The Transaction has been considered and approved at the fifth meeting of the six session of the board of CGA, and the Independent Directors have produced their independent opinions on the Transaction. The Transaction will be conducted by way of an offer made on an open market, and the transaction price is objective and fair. The Transaction has an aim to enhance the core competence of the Company, and improving the sustainability of the Company. The Transaction also fully takes into full consideration the protection of the interests of the minority shareholders, which is feasible and practicable. Regarding the potential risks of the Transaction, CGA has already made full and detailed disclosure, which enables the shareholders and the investors to make objective judgments in respect of the Transaction."

(II) Opinions of the Legal Adviser

Haiwen & Partners, as the Legal Adviser on the Transaction, has issued a letter of legal opinions, giving their opinions as follows:

"The contents of the proposal for the Transaction are in compliance with the Restructuring Measures and other relevant laws and regulations: all the parties to the Transaction possess appropriate qualifications to engage in this Transaction; upon obtaining all the approvals and authorizations set out in the paragraph headed "2.2 Approvals and authorizations yet to be obtained" under the section headed "II. Approvals and authorizations required for the Transaction" in the legal opinion letter, there would be no material legal impediments in implementing the Transaction; as at the date of the letter of legal opinions, CGA has fulfilled all its statutory obligations of disclosure and reporting up to this stage, and will have to continue fulfilling its obligations of information disclosure in accordance with the Restructuring Measures, Listing Rules and other relevant laws and regulations; all intermediaries involved in the Transaction possess legitimate professional qualifications."

SECTION VII ANALYSIS OF THE BOARD OF THE PRICING BASIS OF THIS TRANSACTION AND ITS FAIRNESS AND REASONABLENESS

I. PRICING BASIS FOR THE TRANSACTION

The consideration under the Offers has been determined by reference to such factors as the quality of the assets, profitability, market capitalization, brand and channel value of the Target Company and the synergies to be achieved in the aspects of geographical distribution, brand and business between CGA and Baoxin Auto upon completion of the acquisition. Synergies effect could be mainly reflected by the synergies between CGA and the Target Company in the dealership brands, regional layout and business coordination to be achieved after the completion of the Transaction. For details of the analysis of the specific synergies in the pricing of the Transaction, please refer to "(II)Purpose of the Transaction" under "I. Background and purpose of the Transaction" under "SECTION I OVERVIEW OF THE TRANSACTION" of this Report.

In this Transaction, Orient Appraisal, the valuer engaged by the Company issued the valuation report which serves as an analysis as to the fairness of the price of this acquisition from the perspective of the independent valuer.

II. ASSUMPTIONS USED IN THE VALUATION

(I) Basic Assumptions

1. Open market assumption: an open market represents a well-developed and maturely competitive market as well as a willing buyer and a willing seller each acting reasonably at arm's length, and having sufficient opportunities and time to gain market information, whereby transaction is conducted on a willing, rational (rather than forced) or unrestricted basis on either part of the buyer and the seller;

2. Assumption of continuous utilization: it is first assumed that the assets to be valued including assets being utilized and spare assets should be in use. Then such assets in use are supposed to be utilized continuously according to the relevant data and information. In addition to defining the market conditions or environment for the Target Assets, the assumption of continuous utilization places emphasis on the subsistence of assets.

3. Assumption of going concern: the Target Company is assumed to legitimately continue as a going concern based on its existing assets and resource conditions in the foreseeable future, instead of suspension due to various reasons.

(II) General assumptions

1. Unless specified otherwise, this report does not take into consideration any unusual factors which affect the valuation including any existing or potential charges, guarantee or special transaction method;

2. There is no material change in the relevant prevailing laws, policies, industrial policies or macroeconomic situation of the PRC, or the political, economic and social environment of the regions in which the valuation target operates, and there is no material adverse impact from other force majeure or unforeseeable factors.

3. There are no material changes in tax and tax rate applicable to the Target Company and credit policy, interest rates and exchange rates are basically stable.

(III) Special Assumptions

1. All evidence provided by the Target Company, including business contracts, corporate business licenses, articles of association, executed agreements, audited reports and financial information is true and valid.

2. The existing and future management team of the Target Company is and will be diligent, will not involve any material non-compliance which might affect the company's development and revenue generation, and will maintain the existing operation and management model to continue the business as a going concern.

3. It is assumed that the products or services provided by the Target Company after the valuation date maintain the present competitive situation.

The calculation of valuation results in this Report is based on the status of the Target Company and the assumption and restriction conditions for the Target Company in this the valuation report.

III. VALUATION METHODOLOGY

Based on analysis of the valuation purpose, the Target Company, type of value, information collected and other relevant conditions, the market approach and income approach are generally adopted for economic activities aimed at mergers and acquisitions to form a reference basis for determining the consideration for relevant acquisition.

Prior to the completion of the acquisition, the Target Company cannot provide more detailed financial information and profit forecast as it is subject to commercial confidentiality restrictions. Furthermore, as the Target Company is listed on the Hong Kong Stock Exchange, the announcement of a profit forecast may cause misunderstandings of investors and unusual movements in the share price of the Target Company and thus add uncertainties to the Transaction. As such, no profit forecast is made for the Transaction. In light of the foregoing, it is impossible to adopt discounted cash flow method for the valuation analysis in respect of the Transaction.

In summary, for the purpose of this valuation, market approach will be adopted to analyze the results of the Transaction, and an analysis as to whether the consideration for the acquisition is reasonable will be done by reference to the historical movements in the share prices of the Target Company which is listed on the Hong Kong Stock Exchange.

(I) Definition of market approach

The market approach refers to the method of comparing the valuation target with comparable listed companies or comparable transaction cases to determine the value of the valuation target. The market approach is a valuation technique in substance for determining the value of entity or equity entrusted for valuation by comparing and analyzing the Transaction information or reasonable quoted price data of similar cases traded in the active market.

The two methods under market approach usually used are listed company comparison and transaction cases comparison.

Listed company comparison refers to the specific valuation methods in which the value of a valuation target is determined by conducting comparison analysis on the entity being valued after acquiring and analyzing the operation and financial data of the comparable listed companies and calculating the appropriate value ratio. Comparable companies under the listed company comparison method shall be listed companies normally traded on the open market, and the valuation conclusion shall take into account the impact of liquidity on the value of the valuation target.

Transaction case comparison refers to the specific valuation in which the value of the valuation target is determined by conducting comparison analysis on the entity being valued after acquiring and analyzing the information of the comparable entities including their transactions, merger and acquisition undertaken and calculating the appropriate ratio. To use the transactions comparison method, it shall take into consideration the impact of differences between the valuation target and the transaction cases on the value.

Due to the limitations in practice in transaction case comparison method such as few comparable cases and poor quality of financial data of the transaction cases because the information is not publicly available, the listed company comparison method was adopted in this valuation analysis.

(II) Selection of value ratios

The Target Company specializes in automobile sales and services, which belongs to a cyclical industry. Similar to general business and trade companies, sales revenue is one of the key indicators investors should take into account when assessing companies operate within a cyclical industry. As the Target Company owns most of the 4S stores and showrooms it operates, the Target Company has a considerable number of physical assets such as buildings, land use rights and inventories available for sale. As such, two indicators, namely the P/S (price to sales ratio) and P/B (price to book ratio), are considered and adopted as the value ratios for comparison and analysis of the Target Company.

(III) The corresponding value ratios of the Target Company as represented by the price of this Transaction

The consideration for the Offers under this Transaction will be settled in cash. Based on the offer price for the shares of Baoxin Auto of HK$5.99 per share and a total share capital of 2,557,311,429 shares, the market capitalization of the 100% equity interests in the Target Company is HK$15,318 million, equivalent to approximately RMB12,620 million (based on the exchange rate of 4 December 2015) .

According to the review report for the nine months ended 30 September 2015 and the financial audit report for 2014 provided by the management of the Target Company, the net assets of the Target Company was 4,977,410,000 as at 30 September 2015, and the annual sales revenue for its latest full financial year (2014) was RMB30,723,432,000. After calculations, the corresponding P/B ratio of the Target Company as represented by the price of this Transaction as at the Valuation Base Date was 2.54, and the P/S ratio of the Target Company for its latest full financial year as represented by the price of this Transaction was 0.41.

(IV) Selection of comparable companies

Baoxin Auto is a company listed in Hong Kong, but its operating entities are all located in the mainland China and it generates revenue from mainland China with the settlement currency being RMB. As such, in the analysis of indicators conducted by valuers, the Target Company was deemed as a non-listed company in mainland China and therefore the comparable listed companieson Chinese A-share capital market were selected for comparison purpose.

The value ratios such as P/B and P/S valuers used to measure against the Target Company in the calculation under this method are all derived from Chinese A-share capital market. However, the shares of Target Company are not marketable on Chinese A-share capital market. As a result, the Target Company was deemed as a non-listed domestic company when measuring its value from such perspective. Therefore, the liquidity discount is required to be taken into consideration when making the valuation under such a premise.

Listed companies for comparison that operate businesses similar to those of the Target Company through analysis are initially selected, and their specific conditions will be further studied and analyzed in details, including the major operation scope, main target markets, income composition, profitability, growth potential, and other areas. Following the analysis and comparison over the business operations and financial conditions of these companies for comparison, the comparable companies are selected. These comparable listed companies are set out as follows:

No.	Stock Code	Stock Name	Company Name	Principal Business Operations	Proportion of auto sales/trading and service income for 2014
1	002607.SZ	Yaxia Automobile	Wuhu Yaxia Automobile Company Limited*(芜湖亚夏汽车股份有限公司)	Sales, maintenance, decoration, detailing, and information consultancy services of branded sedans and their components, pre-owned dealership of branded sedans, driver training, insurance brokerage services, financing lease, and pawn services.	97.9%
2	600327.SH	Grand Orient	Wuxi Commercial Mansion Grand Orient Co., Ltd.* (无锡商业大厦大东方股份有限公司)	Department store business, auto sales, and diversified business operations	71.18%
3	600335.SH	Sinomach Automobile	Sinomach Automobile Co., Ltd.* (国机汽车股份有限公司)	Comprehensive auto trading services	99.39%
4	600653.SH	Shenhua Holdings	Shanghai Shenhua Holdings Co., Ltd.* (上海申华控股股份有限公司)	Auto sales and services, and investments in alternative energy and real estate businesses.	62.65%
5	000753.SZ	Zhangzhou Development	Zhejiang Resources Zhongda Yuantong Group Limited (浙江物产中大元通集团股份有限公司)	Tap water, sewage processing fee, garbage processing fee, automobile, trade, engineering construction, real estate	59.23%
6	601258.SH	Pang Da Automobile	Pang Da Automobile Trade Co., Ltd.* (庞大汽贸集团股份有限公司)	Licensed operations of automobiles (including sedans) by brand, and sales of agricultural transport vehicles, motor cycles, and components; automobile leasing; sales and lease of construction engineering machinery and equipment; pre-owned auto brokerage, and financing lease.	96.29%

Source: RoyalFlush iFinD

(V) Determination of value ratios of comparable companies
Upon selection, the P/B and P/S ratios of the listed companies are set out as follows:

Market capitalization (P) is calculated based on the average price during the 20 trading days prior to 30 September 2015			
Stock Code	Name	P/B of Comparable Companies "B" is based on the net assets as at 30 September 2015	P/S of Comparable Companies "S" is based on annual sales revenue of the latest full financial year (2014)
002607.SZ	Yaxia Automobile	3.84	0.59
600327.SH	Grand Orient	2.08	0.49
600335.SH	Sinomach Automobile	1.81	0.11
600653.SH	Shenhua Holdings	5.13	1.46
000753.SZ	Zhangzhou Development	3.62	1.51
601258.SH	Pang Da Automobile	2.11	0.43
Mean		3.10	0.76

The above value ratios are determined based on the quoted price on the secondary markets of Chinese stock exchanges, and have not taken into account the control premium and marketable discount, which are discussed by the Valuer below.

(1) Determination of control premium

According to the purpose of this valuation, CGA intends to, through its wholly-owend subsidiary CGA (Hong Kong), make the pre-conditional voluntary cash Partial Offer to acquire up to 75% of the shares of Baoxin Auto. Mr. Yang Aihua, the current de facto controller of Baoxin Auto, and Baoxin Investment and Auspicious Splendid, both being under his control, have agreed to accept the Parital Offer in repsect of all of the shares in Baoxin Auto held by them. As at the date of this Report, Baoxin Investment and Auspicious Splendid respectively held 1,242,224,000 shares and 127,920,000 shares in the Target Company, representing 48.58% and 5.00% of the total issued shares of the Target Company, respectively. Therefore, the principal will obtain the control of the Target Company upon completion of the Transaction. In general, the transfer of control over a listed company is priced at a higher price compared to the transfer of non-controlling interests and the excess represents the control premium. According to industry research data and statistics, the control premium often ranges from 10% to 20%. After taking into consideration of various factors, a control premium of 15% was adopted in this valuation.

(2) Determination of marketable discount

As the Target Company to be valued is a listed company outside the PRC, the shares of which is not permitted for trading in the stock exchange of domestic shares. Such non-marketability has impacts on the value of the valued enterprise in the PRC's domestic capital markets, and therefore factors such as discounts due to the availability of marketability are required to be taken into consideration when concluding the valuation.

With reference to international approaches to research the discount rate due to the lack of marketability, the valuer may evaluate the discount rate due to non-marketability of shares in non-listed companies based on the payment methods related to consideration for the equity division reform.

Two steps will be taken for the purpose of determining the value differences arising from the realization of both completely marketable equity interests and completely non-marketable equity interests:

(i) To determine the discount rate (ξ1) due to lack of marketability to reflect the difference of value between completely non-marketable shares and "marketable" shares subject to a lock-up period

(ii) Discount rate (ξ2) due to lack of marketability between marketable shares witha restricted period of time and completely marketable shares.

Where completely marketable shares are compared to marketable shares with a restricted period of time, their only difference is the time restriction for marketability. Therefore, the hedging of financial derivatives and their relevant price determination shall be the estimation model for discount due to lack of marketability, as well as the hedging strategy for shareholders of restricted marketable shares. In addition to restricted marketable shares, put options with the same period as the restricted period are held. Upon expiration of such restricted period, the exercisable price shall be the same as the actual share transfer price, in which case non-marketable shares may be completely hedged against value loss of shares due to the aforesaid restriction. Therefore, the value of put options represents the shortfall between the restricted marketable share price and the completely marketable share price. It should be noted that the said put options in fact shall be American put options. As estimation of American options is a complicated process, estimation of European options is used instead. In addition, options adopted here are common put options.

(iii) To determine the discount rate (ξ3) to reflect the difference of value between completely non-marketable shares and the completely markateable shares.

Given the discount rate (ξ1) due to lack of marketability between completely non-marketable shares and marketable shares with a restricted period of time, as well as the discount rate (ξ2) due to lack of marketability between marketable shares within a restricted period of time and completely marketable shares, the discount rate (ξ3) between completely non-marketable shares and completely marketable shares is:

$\xi3=1-(1-\xi1)\times(1-\xi2)$

The following table lists data regarding estimation of the discount rate due to lack of marketability for different industries based on the equity division reform.

No.	Different sampling industries	Sampling number	Average discount rate (ξ1) due to lack of marketability (%)	Average discount rate (ξ2) due to lack of marketability (%)	Average discount rate (ξ3) due to lack of marketability (%)
1	Extracting	18	14	14.19	26.39
2	Mass communication and cultural industry	7	16.89	14.07	28.62
3	Power, gas, and water production and supplies	52	14.84	14.01	26.79
4	Real estate	46	17.89	15.15	30.22
5	Construction	23	16.3	14.65	28.61
6	Transportation and warehousing	50	13.58	14.04	25.78
7	Finance and insurance	11	10.65	16.62	25.56
8	Agriculture, forestry, animal husbandry, and fishery	24	15.27	15.53	28.47
9	**Wholesale and retail trades**	**63**	**18.28**	**13.32**	**29.16**
10	Private services	30	14.94	14.49	27.29
11	Information technology	60	17.47	13.37	28.41
12	Manufacturing- electronics	39	16.71	14.54	28.78
13	Manufacturing- textile, clothing, and leather	45	16.38	16.1	29.77
14	Manufacturing-machinery, equipment,	163	17.52	5.05	13.77

No.	Different sampling industries	Sampling number	Average discount rate (ξ1) due to lack of marketability (%)	Average discount rate (ξ2) due to lack of marketability (%)	Average discount rate (ξ3) due to lack of marketability (%)
	and instrument				
15	Manufacturing-metals and non-metals	92	16.35	14.84	28.78
16	Manufacturing- wood and furniture	3	15.63	11.66	25.46
17	Manufacturing-other manufacturing sectors	13	18.01	12.4	28.1
18	Manufacturing-oil, chemistry, and plastics	116	19.68	14.98	31.65
19	Manufacturing-food and beverage	46	15.05	14.53	27.41
20	Manufacturing-pharmaceutical and biological products	65	16.6	13.46	27.83
21	Manufacturing-paper and printing	19	21.93	14.15	32.92
22	Comprehensive	51	18.42	13.51	29.46
23	Total	1036	16.94	14.42	28.92

Based onthe table above, ξ2 in the wholesale and retail trades is 13.32%.

ξ3=1-（1-ξ1）×（1-ξ2）=1-（1-18.28%）×（1-13.32%）=29.16%

(3) Determination of adjusted value ratios

Upon the aforesaid adjustments, the value ratios of the listed companies are set out as follows:

Market capitalization (P) is calculated based on the average price during the 20 trading days prior to 30 September 2015				Remarks
Stock Code	Name	P/B of Comparable Companies "B" is based on the net assets as at 30 September 2015	P/S of Comparable Companies "S" is based on the annual sales revenue of the latest full financial year (2014)	
002607.SZ	Yaxia Automobile	3.13	0.48	Adjustments have been made to reflect the control premium and liquidity discount
600327.SH	Grand Orient	1.69	0.40	
600335.SH	Sinomach Automobile	1.48	0.09	
600653.SH	Shenhua Holdings	4.18	1.19	
000753.SZ	Zhangzhou Development	2.95	1.23	
601258.SH	Pang Da Automobile	1.72	0.35	
Mean		**2.52**	**0.62**	

(VI) Comparison of financial date between comparable companies and the Target Company

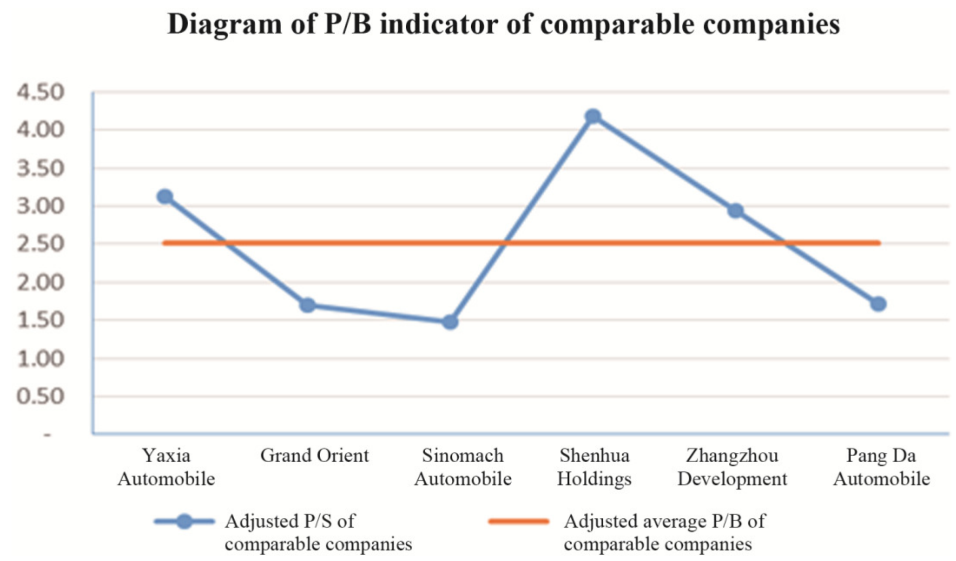
Considering the integrity of the information and date publicly available, the latest full year (year of 2014) was selected as the basis for comparison of financial data.

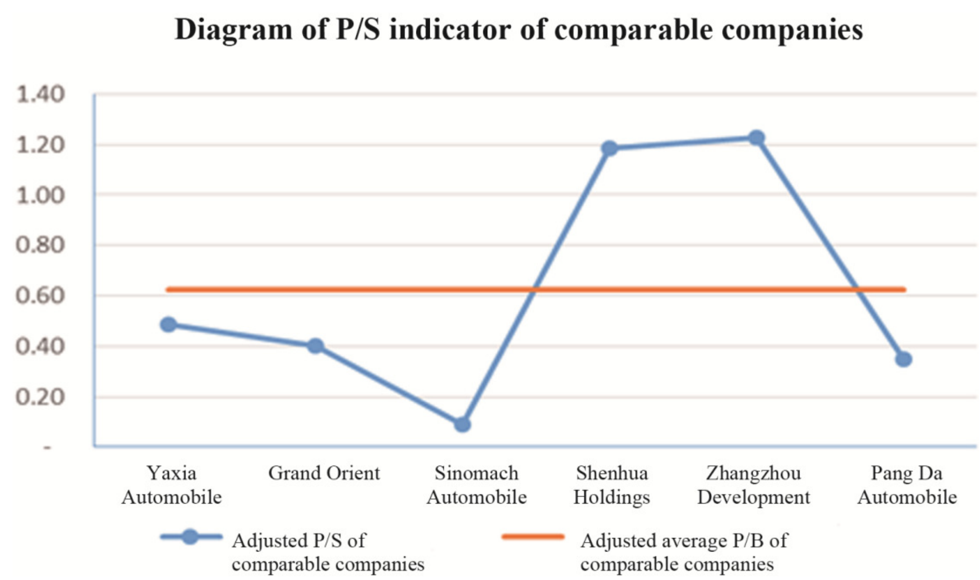
Indicator	Target Company	Grand Orient	Sinomach Automobile	Shenhua Holdings	Zhangzhou Development	Pang Da Automobile	Yaxia Automobile
Total assets (RMB'0,000)	1,977,628.70	456,859.58	3,453,047.71	803,564.88	401,588.26	6,774,577.68	340,851.06
Assets to liability ratio (%)	73.96	64.36	84.51	71.45	58.18	81.90	75.23
Three Expenses (selling, administrative and fiance) as a percentage of operating revenue (%)	7.19	9.80	1.85	7.02	9.78	10.00	6.08
Inventory turnover	9.22	7.75	5.90	5.87	2.10	5.27	6.25
Average sales gross profit margin of auto segment (%)	9.1	8.86	3.53	0.74	6.48	7.82	3.83

As shown in the table above, although the comparable companies operate in the same industry as the Target Company, the value ratios of relevant comparable companies may only used as references to a certain extent as there are specific differences in product mix, major operation premise, management team and financial conditions.

(VII) Conclusion of analysis under market approach

After making the control premium and liquidity discount adjustments to the P/B and P/S of the comparable companies as at the Valuation Base Date, the following chart is derived:





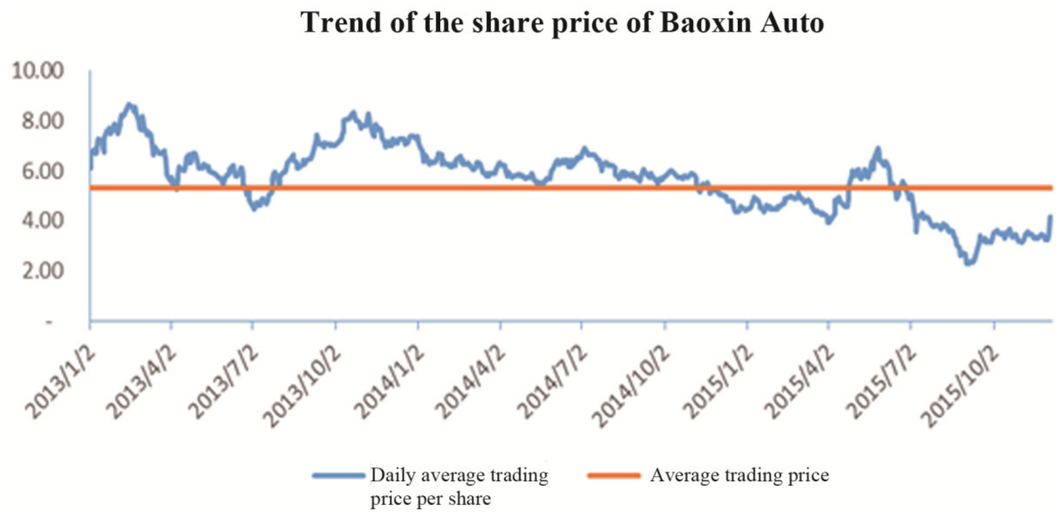
As represented by the transaction price of this Transaction, the P/B=2.54 and P/S=0.41 for the Target Company, both of which fall within the range of the multiples of the comparable companies. As such, it is considered that such multiples could reflect the value of Baoxin Auto as at the Valuation Base Date in a relatively fair manner.

(VIII) Analysis of the pricing based on the share price trend of the Target Company

The Offer Price of HK$ 5.99 per share under the Partial Offer represents a premium of 44.34% over the closing price of HK$4.15 per share prior to the suspension of trading in the shares of the Target Company (i.e. 4 December 2015).

TheTarget Company is a company listed in Hong Kong and the price of its shares is quoted on the stock market. However, in addition to the fundamentals of a company, the share price is also subject to factors such as macro economy, policy, market psychology. As such, share price normally fluctuate around the enterprise value within a cycle and share price in a short term may not fully reflect the true value of an enterprise.

Considering that this Transaction represents an acquisition of controlling interests over an enterprise which is a medium to long-term strategic investment instead of a short-term investment in the secondary market, the average data of the Target Company itself in the last three years was selected for the purpose to analyze the pricing reasonableness.



As shown in the chart above, the share price of Baoxin Auto has been fluctuating around the average trading price of HK$5.32 per share in the last three years, with a maximum of HK$8.64 per share and a minimum of HK$2.29 per share. After taking into account the control premium (15%), the different ratio between the average price of HK$6.12 per shareand the acquisition price under the Transaction of HK$5.99 per share is 2%. Accordingly, the price of theTransaction is considered to be relatively reasonable.

(IX) Analysis of valuation conclusion

In consideration that available financial estimated data is very limited during the process of the Offers, we adopted the indicators of comparable listed companies under the market approach to analyze the transaction price, and compared the trend of the share price of the Target Company in the last three years. By combing all relevant analysis, the Valuer considers that the acquisition price under the Transaction (i.e. HK$5.99) is fairly reasonable and could reflects the value of the Target Company in a relatively fair manner, while taking sufficient consideration into the market price of the Target Company, and thus there exist no circumstances which would prejudice the interests of CGA and its shareholders.

IV. OPINIONS OF THE BOARD ON THE PRICING OF AND VALUATION UNDER THE TRANSACTION

In accordance with the relevant requirements under the Restructuring Measures and No. 26 Standards, the Board expresses the following opinions regarding the independence of the Valuer, the rationality of assumptions of such valuation, the relevance between valuation methods and valuation purpose, and the fairness of pricing upon canefully considering and reviewing information provided by the Company for the valuation of the Transaction:

(I) Independence of the Valuer

The Valuer for the Transaction possesses the securities business license. In addition to the business relationship with us, none of the Valuer and its responsible officers is connected to the Company, the Counterparties, or the Target Assets, nor does any actual and expected interested relationship exists other than professional fees. Therefore, the Valuer is independent.

(II) Rationality of presumptions of such valuation

The assumptions and restrictive conditions as prescribed by the Valuer and its valuation officials are based on the relevant laws, regulations, and requirements as stipulated by the government, comply with the practices or standards generally accepted in the market, and meet the actual conditions of the Target Company. Therefore, the assumptions of such valuation are rational.

(III) Consistency between the valuation methods and relevance of the valuation purposes

The purpose of this valuation is to provide a fairness analysis for the consideration under the Transaction. The actual assets to be valued by the Valuer are consistent with those assets specified for valuation scope. The Valuer implemented the relevant valuation procedures during valuation, which complies with such principles as independence, objectivity, scientificity, and fairness, while applying the valuation methods that comply with the actual conditions of the Target Assets. The selected reference data and information is also reliable. The valuation of the assets reflects the fair and accurate values. The valuation methods are properly utilized, and the valuation conclusion is reasonable. Therefore, the valuation methods are consistent with the relevance of the valuation purposes.

(IV) Fairness of the pricing of the Transaction

The consideration under the Offers has been determined by reference to such factors as the quality of the assets, profitability, market capitalization, brand and channel value of the Target Company and the synergies to be achieved in the aspects of geographical distribution, brand and business between CGA and Baoxin Auto upon completion of the acquisition. The analytical valuation principles, the selected comparable companies, the value ratios, and other important parameters under the valuation of this Transaction comply with the actual conditions of the Target Assets. The basis and conclusions of such valuation are both reasonable. The pricing of the Transaction is fair and there are no circumstances which would prejudice the interests of the Listed Company and its shareholders.

V. INDEPENDENT OPINIONS OF THE INDEPENDENT DIRECTORS OF THE LISTED COMPANY ON THE PRICING OF AND VALUATION UNDER THE TRANSACTION

The independent directors of the Company express their independent opinions regarding the pricing of and relevant valuation under the Transaction as follows:

The Valuer as appointed by the Company through a proper selection process possesses the qualifications in securities business. None of the Valuer and its responsible officers has any interested relationship with the Company, the Counterparties, the Target Company or other relevant parties to the Transaction, nor do they have any prejudice against any of the relevant parties. As such, the Valuer is fully independent. The assumptions of the valuation in relation to the valuation report under the Major Asset Acquisition of the Company were made in accordance with relevant laws, regulations, and requirements as stipulated by the government, following the practices or standards generally accepted in the market, and in line with the actual conditions of the target to be valued. Therefore, the assumptions of such valuation are rational. The analytical valuation principles, the selected comparable companies, the value ratios and other important parameters adopted in the valuation report involved in the Major Assets Acquisition of the Company are in line with the actual conditions of the Target Company, the basis and conclusions of the valuation are both reasonable, and the valuation approaches are in line with the valuation purpose in terms of relevance. The Transaction is priced in a fair manner without any impairment of the interests of the Listed Company and its shareholders. The Major Asset Acquisition is conductive to enhancing the competitiveness and the sustainable long-term development of the Company, which is in line with the interests of the Company and its shareholders as a whole without impairment of the interests of minority shareholders.

SECTION VIII MANAGEMENT DISCUSSION AND ANALYSIS

I. ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS OF THE LISTED COMPANY BEFORE THE TRANSACTION

Amongst the financial analysis below, the financial data of CGA for the years of 2013 and 2014 was the pro forma consolidated financial statements for the last two years prepared by PwC based on the structure following completion of the major asset restructuring of the Listed Company in 2015 and the special audit report thereon; the data from January to September 2015 refers to the unaudited financial statements of CGA.

(I) Assets and liabilities and financial safety of the Company

1. Major assets and analysis thereof

The table below set out the breakdown of the assets of the Listed Company for the last two years and the period ended 30 September 2015:

Unit: RMB'0,000

Item	30 September 2015		31 December 2014		31 December 2013	
	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
Cash and bank balances	1,615,172.54	22.55	1,170,640.10	18.97	1,117,158.12	19.90
Bills receivable	1,444.16	0.02	8,418.64	0.14	613.37	0.01
Trade receivables	155,547.42	2.17	115,386.70	1.87	120,263.81	2.14
Prepayments	433,232.15	6.05	367,748.14	5.96	332,474.28	5.92
Interest receivable	264.12	0.00	11.78	0.00	109.27	0.00
Dividends receivable	282.00	0.00	240.00	0.00	-	-
Other receivables	154,110.73	2.15	81,309.18	1.32	87,525.79	1.56
Inventories	1,291,726.38	18.03	1,273,285.05	20.63	1,107,602.84	19.73
Assets classified as held for sale	-	-	-	-	7,708.01	0.14
Non-current assets due within one year	693,934.15	9.69	614,564.47	9.96	471,512.09	8.40
Other current assets	96,161.44	1.34	77,715.14	1.26	57,134.12	1.02
Total current assets	**4,441,875.09**	**62.00**	**3,709,319.20**	**60.11**	**3,302,101.70**	**58.82**
Available -for- sale financial assets	21,746.94	0.30	22,073.50	0.36	22,655.74	0.40
Long-term receivables	542,438.46	7.57	575,068.77	9.32	505,028.44	9.00
Long-term equity investments	22,166.38	0.31	20,201.50	0.33	20,247.42	0.36
Investment property	339.37	0.00	347.03	0.01	367.68	0.01
Fixed assets	702,545.99	9.81	618,232.01	10.02	598,462.87	10.66
Construction in progress	89,827.16	1.25	86,514.36	1.40	76,273.54	1.36
Intangible assets	435,665.37	6.08	409,057.78	6.63	440,705.27	7.85
Goodwill	729,678.26	10.19	565,746.76	9.17	562,654.01	10.02
Long-term prepaid expenses	35,807.01	0.50	32,299.97	0.52	30,054.22	0.54
Deferred income tax assets	7,353.17	0.10	8,117.85	0.13	5,620.38	0.10
Other non-current assets	134,579.58	1.88	123,761.38	2.01	49,868.06	0.89
Total non-current assets	**2,722,147.70**	**38.00**	**2,461,420.92**	**39.89**	**2,311,937.63**	**41.18**
Total assets	**7,164,022.79**	**100.00%**	**6,170,740.11**	**100.00**	**5,614,039.33**	**100.00**

As shown in the above table, as at the end of 2013 and 2014 and 30 September 2015, the total assets of CGA amounted to RMB56,140,393,300, RMB61,707,401,100 and RMB71,640,227,900 respectively, demonstrating a steady increase. Such increases were mainly attributable to (i) the expanding dealership network and growing business size; (ii) continued stable profit level and expansion of financial leasing business; (iii) continued enlargement of total assets resulting from an appropriate increase in the debt scale to finance capital expenditure required for business development; and (iv) additional contribution from certain shareholders.

As at the end of 2013 and 2014 and 30 September 2015, CGA's current assets accounted for 58.82 %, 60.11% and 62.00% of its total assets respectively. Such high proportions of current assets are line with the characteristics of automobile dealership sector, mainly due to the following reasons: (i) CGA is principally engaged in dealership business of passenger vehicles with a high unit value, which requires CGA to maintain a certain level of inventories to meet and expand daily operations, thus resulting in a large amount of inventories; (ii) as an automotive retailer, CGA has to maintain a significant amount of cash to satisfy the payment for vehicle purchasing in daily operations, which is mainly because that automakers usually require CGA to pay the purchase price at the time of placing the order. As it is a common practice in the sector that automobile dealers are required to make advance payment to automakers before delivery, CGA has a substantial amount of prepayments; and (iii) CGA's passenger vehicle financial leasing business grew at a fast pace, resulting in a significant increase in long-term receivables and thus a corresponding increase in long-term receivables due within one year.

2. Major liabilities and analysis thereof

The table below set out the breakdown of the liabilities of the Listed Company for the last two years and the period ended 30 September 2015:

Unit: RMB'0,000

Item	30 September 2015		31 December 2014		31 December 2013	
	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
Short-term borrowings	1,484,787.89	29.42	1,022,872.53	22.48	1,077,788.60	26.37
Bills payable	1,254,328.09	24.85	1,575,657.18	34.63	1,386,475.11	33.92
Trade payables	85,444.37	1.69	78,189.31	1.72	112,338.18	2.75
Advance receipts	129,024.58	2.56	116,262.04	2.56	131,406.39	3.22
Employee benefit payable	23,387.14	0.46	26,607.70	0.58	27,749.63	0.68
Taxes payable	37,165.42	0.74	37,830.77	0.83	43,135.69	1.06
Interest payable	56,911.21	1.13	40,257.39	0.88	30,433.99	0.74
Dividends payable	20,328.34	0.40	2,872.15	0.06	8,813.49	0.22
Other payables	289,283.59	5.73	175,737.52	3.86	206,610.01	5.06
Non-current liabilities due within one year	1,112,094.90	22.03	648,885.36	14.26	308,197.52	7.54
Other current liabilities	423.04	0.01	-	-	-	-
Total current liabilities	**4,493,178.57**	**89.02**	**3,725,171.95**	**81.88**	**3,332,948.61**	**81.55**
Long-term borrowings	281,744.97	5.58	326,248.13	7.17	267,603.61	6.55
Bonds payable	180,000.00	3.57	415,000.00	9.12	420,000.00	10.28
Long-term payables	28,094.02	0.56	21,870.06	0.48	7,437.58	0.18
Estimated liabilities	-	-	-	-	-	-
Deferred income tax liabilities	57,410.88	1.14	54,040.58	1.19	56,056.04	1.37
Other non-current liabilities	6,958.76	0.14	7,054.70	0.16	3,182.07	0.08
Total non-current liabilities	**554,208.63**	**10.98**	**824,213.47**	**18.12**	**754,279.30**	**18.45**
Total liabilities	**5,047,387.20**	**100.00**	**4,549,385.42**	**100.00**	**4,087,227.91**	**100.00**

As at the end of 2013 and 2014 and 30 September 2015, CGA had total liabilities of RMB40,872,279,100, RMB45,493,854,200 and RMB50,473,872,000, respectively. The continued growth in CGA's total liabilities mainly due to the increases in bank borrowings, bonds payable and bills payable for the purpose of financing business expansion and development.

As at the end of 2013 and 2014 and 30 September 2015, CGA's current liabilities accounted for 81.55%, 81.88% and 89.02% of its total liabilities, respectively. Such high proportions of current liabilities in total liabilities were in line with the condition that current assets made up a substantial portion of its total assets.

3. Analysis of solvency of the Listed Company

Item	30 September 2015	31 December 2014	31 December 2013
Gearing ratio	70.45%	73.73%	72.80%
Current ratio	0.99	1.00	0.99
Quick ratio	0.70	0.65	0.66

During the last two years and the period ended 30 September 2015, CGA's gearing ratio stayed stable, which, at the end of 2013 and 2014 and 30 September 2015, was 72.80%, 73.73% and 70.45%, respectively.

CGA saw a rapid growth in its sales business, while its current assets and current liabilities grew nearly at the same pace. The increase in current ratio at the end of 2014 as compare to 2013 mainly reflected that CGA used more non-current borrowings instead of short-term borrowing to meet its funding needs.

CGA had a high proportion of inventories, which led to a big difference between current ratio and quick ratio.

4. Analysis of operational efficiency of assets

Item	January to September 2015	2014	2013
Trade receivables turnover ratio	48.50	73.29	79.96
Inventory turnover ratio	4.65	6.64	7.28
Total asset turnover ratio	0.99	1.47	1.65

Note: the calculation of the above indicators from January to September 2015 is based on the operating revenue and business costs from January to September 2015.

For the last two years and the period ended 30 September 2015, CGA's had a relatively high trade receivables turnover ratio, which was because sales of the Company are generally made to consumers and settled in cash or by credit cards.

CGA's inventory turnover ratio was decreased from 7.28 for 2013 to 6.64 for 2014, mainly due to the fact that the peak seasons of sales of the passenger vehicle dealership business normally began from the fourth quarter of a year through the lunar New Year of the next year, while the lunar New Year of 2015 came later than the previous years, resulting in the increase in the inventories of CGA at the end of 2014.

(II) Earnings of the Company

1. Summary income statements of the Listed Company

Unit: RMB'0,000

Item	January to September 2015		2014		2013	
	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
I. Operating revenue	6,569,958.82	100.00	8,635,687.21	100.00	8,406,350.46	100.00
Less: Operating costs	5,960,693.80	90.73	7,905,798.26	91.55	7,708,505.05	91.70
Business tax and surcharges	20,823.45	0.32	23,429.44	0.27	25,925.23	0.31
Selling expenses	176,950.73	2.69	226,067.03	2.62	219,607.45	2.61
Administrative expenses	114,525.76	1.74	146,497.89	1.70	142,384.15	1.69
Financial expenses	100,414.81	1.53	107,866.51	1.25	92,295.84	1.10
Impairment losses on assets	26,703.32	0.41	32,624.96	0.38	13,068.27	0.16
Investment income	4,339.59	0.07	14,649.63	0.17	16,497.32	0.20
II. Operating profit	174,186.54	2.65	208,052.75	2.41	221,061.78	2.63
Add: Non-operating revenue	8,418.14	0.13	29,044.58	0.34	22,345.45	0.27
Less: Non-operating expenses	8,685.50	0.13	7,365.18	0.09	10,877.16	0.13
III. Total assets	173,919.18	2.65	229,732.15	2.66	232,530.07	2.77
Less: Income tax expenses	38,488.89	0.59	49,953.14	0.58	36,877.74	0.44
IV. Net profit	135,430.29	2.06	179,779.01	2.08	195,652.33	2.33
Net profit attributable to shareholders of the parent	124,452.41	1.89	160,590.25	1.86	177,481.34	2.11
Minority interests	10,977.88	0.17	19,188.75	0.22	18,170.99	0.22

CGA is a leading passenger vehicle dealership and service group and a leading passenger vehicle financial leasing provider in the PRC. Through an automobile distribution network covering 25 provinces, municipalities and autonomous regions in the PRC, CGA has established an integrated operating platform focusing on the two major business lines, i.e. vehicle dealership and service and passenger vehicle financial leasing businesses, which places it in a leading position in the market in terms of sales volume and amount of passenger vehicles, volume of passenger vehicle financial leasing, brand coverage, number of stores and other key indicators. During the reporting periods, CGA's operating revenue kept growing as a whole. For the last two years and the period ended 30 September 2015, CGA recorded net profit of RMB1,956,523,300, RMB1,797,790,100 and RMB1,354,302,900, respectively. The net profit for 2014 decreased by RMB158,733,200 or 8.11% as compared to 2013. CGA's profit is mainly attributable to earnings from its operations. CGA's operating profit for the last two years and the period ended 30 September 2015 accounted for 95.07%, 90.55% and 100.15% of its total profit respectively, .

Although its passenger vehicle distribution business remained a leading player in the industry, the Company saw a decrease in net profit in 2014 due to the intensifying competition in the industry, a decrease in the Company's earnings from conventional vehicle distribution business as a result of the slowdown of automobile sales business, a high level of inventories and a decrease in gross profit margin, and after-sales services and financial leasing business were still at the early growing stage.

2. Analysis of revenue of the Listed Company

Unit: RMB'0,000

Item	January to September 2015		2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Automobile dealership and service business	6,404,537.74	97.48	8,447,036.04	97.81	8,280,985.63	98.51
Automobile leasing business	143,412.79	2.18	163,650.75	1.90	110,339.34	1.31
Revenue from other businesses	22,008.29	0.33	25,000.42	0.29	15,025.49	0.18
Total	**6,569,958.82**	**100.00**	**8,635,687.21**	**100.00**	**8,406,350.46**	**100.00**

During the reporting periods, the Company's revenue was mainly derived from automobile dealership and service business. For the last two years and the period ended 30 September 2015, revenue derived from automobile dealership and service business amounted to RBM82,809,856,300, RMB84,470,360,400 and RMB64,045,377,400 respectively, accounting for 98.51%, 97.81% and 97.48% of the total revenue for the corresponding year/period respectively. The increases in revenue from automobile dealership and service business mainly attributable to expansion of the Company's network of dealership stores and increase in market demand for new cars. For the last two years and the period ended 30 September 2015, sales volume of automobiles amounted to 546,346, 571,533 and439,488 units. During the reporting periods, the Company, while enhancing its conventional businesses such as sales of automobiles, focused on maintenance and services, automobile leasing business and commission agent services and other high value-added businesses, which resulted in a slight decrease in the percentage of revenue from sales of automobiles to total revenue.

3. Analysis of gross profit of the Listed Company

Unit: RMB'0,000

Item	**January to September 2015**		**2014**		**2013**	
	Gross profit	Percentage (%)	Gross profit	Percentage (%)	Gross profit	Percentage (%)
Automobile dealership and service business	498,397.15	81.80	600,687.25	82.29	604,434.78	86.62
Automobile leasing business	98,650.61	16.19	114,200.52	15.65	82,443.75	11.81
Other businesses	12,217.26	2.01	15,001.19	2.06	10,966.88	1.57
Total	609,265.02	100.00	**729,888.96**	**100.00**	**697,845.41**	**100.00**

During the reporting periods, the Company's gross profit was mainly derived from automobile dealership and service business. For the last two years and the period ended 30 September 2015, gross profit derived from automobile dealership and service business amounted to RBM6,044,347,800, RMB6,006,872,500 and RMB4,983,971,500 respectively, accounting for 86.62%, 82.29% and 81.80% of the total gross profit for the corresponding year/period respectively. In terms of the amount of gross profit, automobile distribution business was the most important profit component for automobile dealership and services. In terms of percentage in total gross profit, as the CGA promoted business diversification, automobile rental after-sales service businesses grew at a fast pace, and the proportion of gross profit from automobile dealership and service business was on a downward trend.

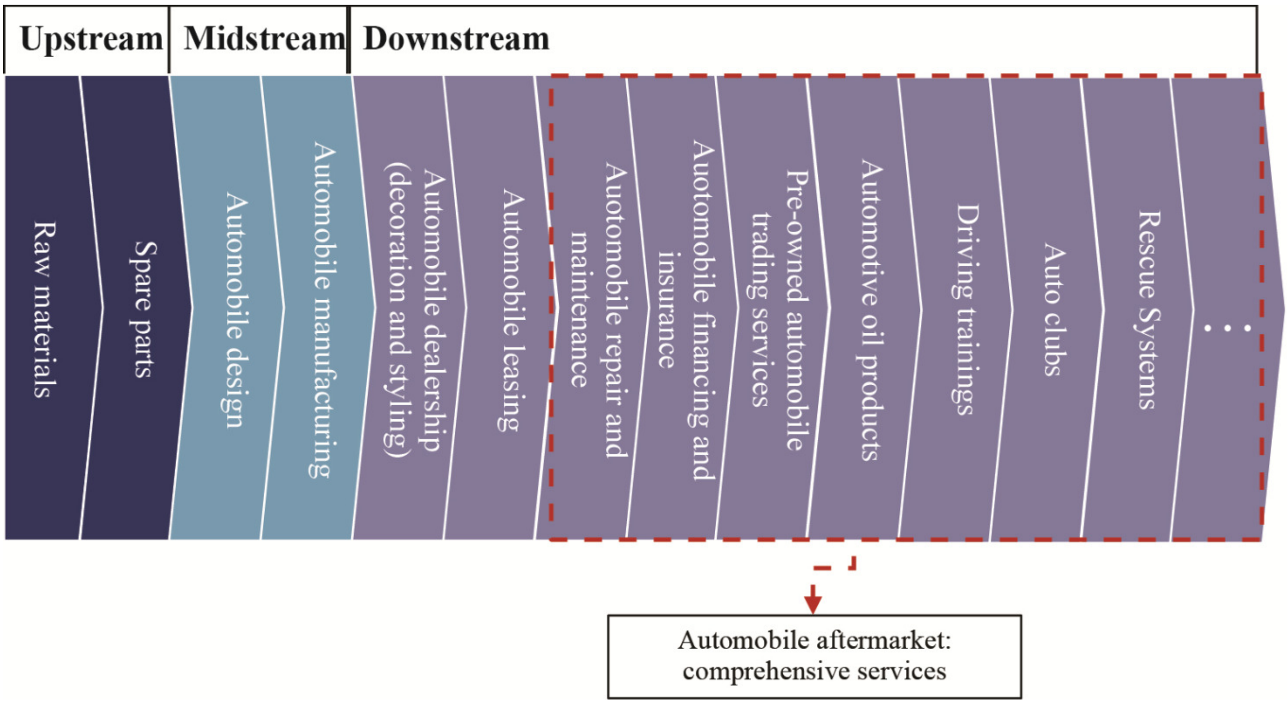
Automobile leasing business was an important profit driver for the Company, and contributed gross profit of RMB824,437,500, RMB1,142,005,200 and RMB986,506,100 for the last two years and the period ended 30 September 2015, accounting for 11.81%, 15.65% and 16.19% of the total gross profit for the corresponding year/period respectively, and demonstrating a gradually increasing trend.

II. CHARACTERISTICS OF THE INDUSTRY WHERE THE TARGET COMPANY OPERATES

(I) Characteristics and basic information of the industry where the Target Company operates

1. Industry category

Automotive industry chain generally comprises upstream segment (mainly including subsegments of raw materials and spare parts), midstream segment (mainly including automobile design and manufacturing subsegments) and downstream segment (mainly including automobile distribution, leasing and aftermarket services (sales and aftersales serivces) subsegments). The rough diagram of automotive industry chain is set out below:



Baoxin Auto operates in the passenger vehicle sales and service segment, which belongs to the downstream of automotive industry chain, i.e., automobile trading and service fields.

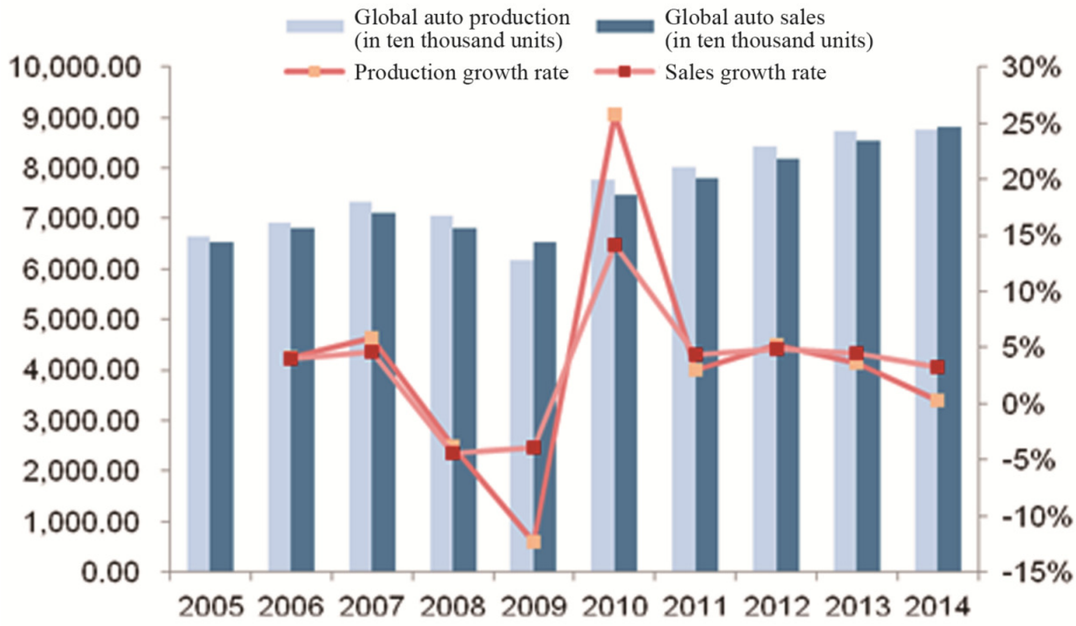
2. Development overview of passenger vehicle dealership and service segment

(1) Development overview of passenger vehicle dealership segment

(i) Development overview of international automobile industry

After more than one century's development since the world's first automobile came into being in 1886, the automobile industry has become an important economic pillar for the countries around the world, playing a key role in global economic development. Since entering the 21st century, the global automotive industry became mature, with overall production and sales growing steadily.

Global auto production and sales 2005-2014



Sources: International Organization of Motor Vehicle Manufacturers (OICA), China Association of Automobile Manufacturers

From 2001 to 2007, global automobile production grew at a compounded annual growth rate (CAGR) of 4.49%. Thereafter there was a two-straight-year decline under the impact of the global financial crisis, global automobile production down by 3.75% and 12.38% in 2008 and 2009 respectively, accompanying a decrease of 4.38% and 3.91% in global sales against a contraction in consumer spending. In 2010, however, under the support of economic stimulus packages adopted by various countries around the world, and with the recovery of the US and Japanese markets and the development of emerging markets like China and India, the global automobile industry grew at a fast pace, with global production and sales reaching 77,704,000 units and 74,628,500 units respectively, representing a year-on-year increase of 25.75% and 14.08% respectively. Since 2010 onwards, benefiting from the market demand brought about by sound economic development and huge population of emerging countries, overall global automobile production and sales have been on an upward track over the five years from 2010 to 2014, with global automobile production increasing by 12.62% to 87,507,000 units and global automobile sales increasing by 18.14% to 88,164,600 units.

In recent years, with the acceleration of economic globalization, the global automobile industry demonstrates a multipolar landscape. As the automobile markets in developed countries and regions such as the US, Europe and Japan get saturated, increasingly active emerging and developing countries will gradually replace the traditional developed countries to be the growth drivers for automobile demand. Thanks to the rapid development of national economy, the "BRICs", typical developing countries, saw their household wealth accumulation reach the critical point for consumption upgrading, thereby enabling their automobile industry to maintain a rapid growth. Within a certain period in future, the focus of the global automobile industry will continue to tilt towards emerging and developing countries.

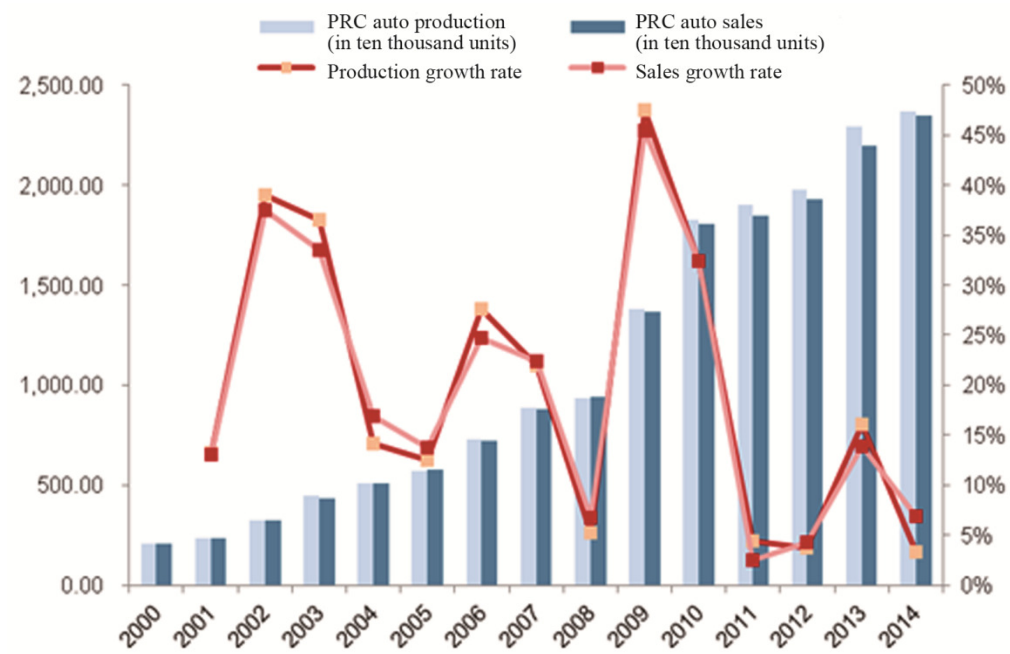
(ii) Development overview of China's automobile industry

Since joining the WTO in 2001, China's automobile industry has been booming and become an important industrial pillar of China's national economy, playing an important role in stimulating economic growth, promoting employment, increasing fiscal revenue, etc. The value added of China's automobile industry was merely RMB86,406 million in 2000, representing 0.97% of China's GDP; but in 2012 it grew to RMB860,624 million, increasing by 8.96 times over 2000, and accounted for 1.46% of China's GDP.

(a) After a golden decade of rapid growth, China's automobile industry continued ranking first in the world in terms of production and sales

China's automobile industry has achieved rapid development over years, enjoying a golden decade of rapid growth. From 2001 to 2010, China's automobile production and sales grew at a CAGR as high as 27.38% and 27.10% respectively, with contribution to global automobile production and sales increasing from 4.16% in 2001 to 23.51% in 2010. China ranked first among countries around the world for the first time in 2009 in terms of automobile production and sales, and continued to rank first for six consecutive years since then.

PRC auto production and sales and growth rates 2000-2014



Sources: China Automotive Industry Yearbooks

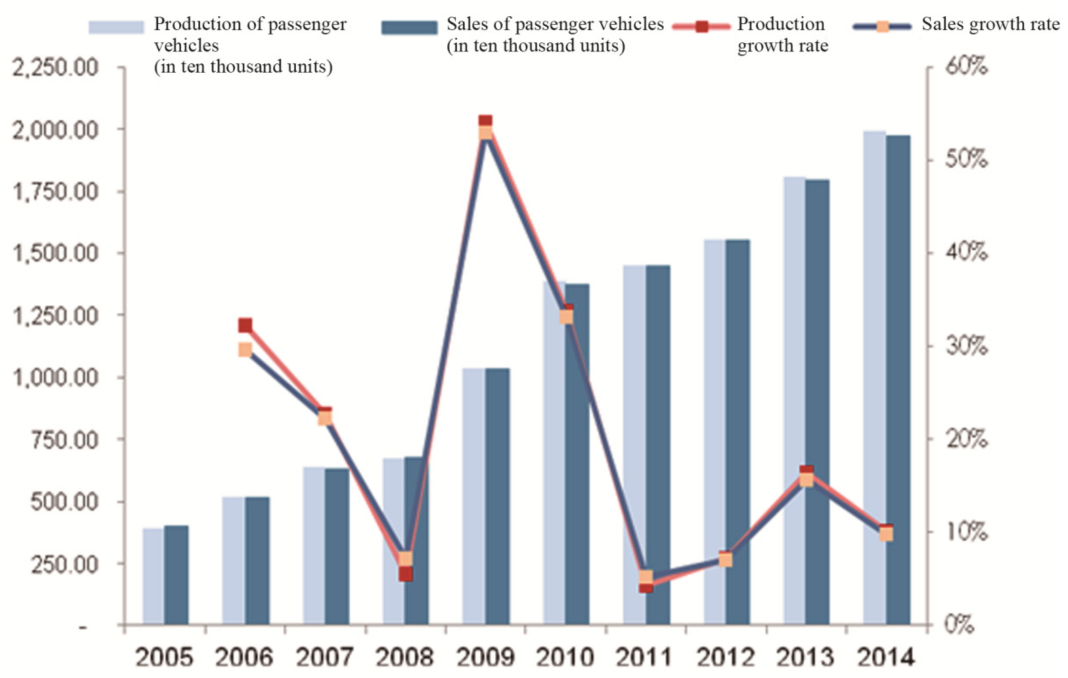
Following the first "golden decade" of China's automotive industry, growth in demand for automobiles gradually shifted from "growing rapidly" to "growing steadily". Due to the impact of national macro control policies and a large base number, China's automobile production and sales slowed down since 2010, but then it started to pick up in 2012. In 2013, China's automobile production and sales climbed to record highs of 22,960,900 units and 21,984,100 units respectively, representing year-on-year increases of 16.12% and 13.87% respectively. Then in 2014, despite a large base number of 2013 and in face of downward macro-economy, China's automobile production and sales continued to grow by 3.32% and 6.86% year-on-year to 23,722,900 units and 23,491,900 units s, respectively, setting new world records.

(b) Passenger vehicle segment maintains rapid growth and dominates the automobile industry

In recent years, the output and sales of passenger vehicles have grew at a faster pace than the growth of the whole industry, becoming the major force driving the growth of the automobile industry. Since the "the 10th five-year plan" unveiled in 2001 set out the policy to encourage household automobile ownership, China has gradually relaxed its control on passenger vehicle market. With a growing national economy and rising resident income, automobiles, especially household passenger cars, have become increasingly popular in China, and gradually become the central point to a new round of consumption upgrading for Chinese residents. According to the statistics released by China Association of Automobile Manufacturers, the CAGR of China's passenger vehicle output from 2005 to 2014 exceeded 19.48%; the output and sales of passenger vehicles in China for 2014 amounted to 19,919,800 units and 19,700,600 units respectively, representing year-on-year increases of 10.14% and 9.88%, respectively, far higher than those of the automobile industry as a whole. China's passenger vehicle market shows a booming trend.

In recent years, the output and sales of China's passenger vehicles have become an increasingly larger component of the overall output and sales of China's automobile industry. In 2005, passenger vehicles accounted for 69.02% of China's automobile sales, but in 2014, this number increased to 83.86 %. As such, passenger vehicles denominate the automobile consumption landscape in China, and are the major driving force for the rapid growth of China's automobile production and sales.

PRC passenger vehicle production and sales and growth rates 2005-2014



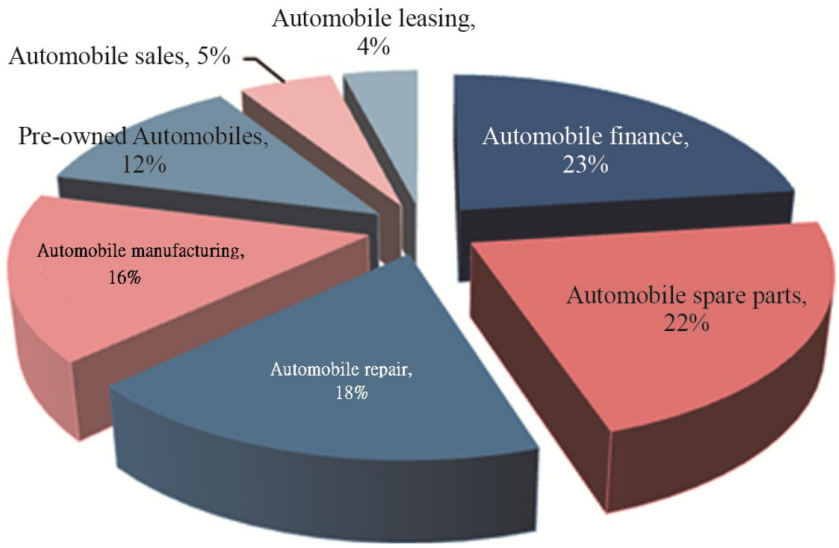
Sources: China Automotive Industry Yearbooks

(2) Development of passenger vehicle service segment

Passenger vehicle services, also known as the automobile aftermarket, mainly refer to various services provided for automobiles in use after being sold, covering all the services required by automobile owners after the purchase of their cars. It covers a very broad area, the three major segments of which are aftersales automobile repair, spare parts and accessories, which also constitutes the automobile service market in a narrow sense. Broadly speaking, automobile aftermarket is large yet complex. Since the development of the early automobile repair and accessories sector, the automobile aftermarket has covered numerous services involved in the full course of automobile use, transfer, disassembling, etc. after its being sold, and its sub-sector has covered pre-owned automobile trading, repair and maintenance, automobile leasing, automobile insurance, automobile finance, etc.

Statistics show that nearly 60% of profits of the overseas developed automobile industry were derived from its automobile aftermarket where the automobile spare parts market contributed 22%, the automobile manufacturing market contributed 16%, the automobile sales market contributed 5%, and the automobile services (automobile leasing, pre-owned automobiles, automobile finance and automobile repair and maintenance) market contributed 57%, respectively. At the current stage, the domestic automobile manufacturing market still contributes a large proportion of profits in the automobile industry chain, while the aftermarket (services) contributes less than 20% of profits to the entire automobile industry. With the Chinese automobile industry is structuring from an incremental economy to a stock economy, for the profit consideration, the focus of the future automobile industry will be gradually shifted to the field of the automobile aftermarket, thus creating a promising automobile aftermarket in the course of development.

Profit Components of Auto Industry Chain of Foreign Mature Markets



Source: 2013 Blue Book of China's Automotive Aftermarket

According to the statistics published by ccn.com.cn (中国消费网), the market size of the Chinses automobile aftermarket was RMB88 billion in 2005, which skyrocketed to RMB240 billion in 2009 and doubled to RMB500 billion in 2012, or a spending of RMB3,500 per automobile on average, at an annual growth rate of 26.9%, far higher than the growth rate of new automobile sales.

Currently, China's automobile aftermarket is still at the early stage of development and mainly focuses on the fields of automobile repair and maintenance, pre-owned automobile trading and automobile leasing. The characteristics of China's automobile aftermarket are set out below:

(i) High fragmentation in the sector and low concentration in sub-segments

According to the statistics released by Roland Berger, in China's automobile leasing sector, there are over 10,000 automobile leasing companies nationwide, but the average automobile fleet is less than 50 vehicles. In 2013, China's top five automobile leasing companies together represent 14% of the marker share in the country in terms of revenue, while the top five automobile leasing companies of the United States, Germany and Brazil represent 95%, 91% and 58% of the marker share in the United States, Germany and Brazil respectively.

According to the statistics provided by China Automobile Dealers Association, in China's pre-owned automobile sector, there were a total of 1,145 pre-owned automobile trading companies in 2013, and only five of these companies had a trading volume of more than 100,000 vehicles, with their aggregate sales accounting for 15.2% of the total sales of the pre-owned sector.

According to the statistics released by Nomura Research Institute, there are currently nearly 300,000 automobile repair companies in China, with the leading top three players representing less than 1% market share in China, compared to 11%, 15% and 11% market share of the top three players in automobile repair sector in Japan, US and Germany, respectively.

(ii) High degree non-standardisation, disperse channels and significant information asymmetry

In the field of automobile repair and maintenance, as every single automobile has over ten thousands spare parts, the repair and maintenance services may differ from each other depending on the conditions of cars. In addition, there is a high degree of information asymmetry between automobile owners and repair and maintenance service providers. In the pre-owned automobile deals, the information asymmetry is a core factor affecting the development of the industry. Different from standardised new cars, as pre-owned cars of the same brand with the same model and life may have completely different conditions due to the different use conditions, there is a common practice that "different cars in different conditions have different price quotations". The information asymmetry that results in an asymmetry in the true conditions of pre-owned cars between both parties is the primary reason for fraud in conditions and false value of cars. Currently, it is common that there are non-standardisation and information asymmetry of the automobile aftermarket, which in turn also provides development opportunities for the Internet-enabled offline to online (O2O) model.

(iii) The automobile aftermarket enjoys a higher profit margin compared to the manufacturing of automobiles and parts

Against the backdrop of the steady growth period and intense competition among automobile manufacturers after the conclusion of the high-speed period of the automobile industry, the severe margin of new automobile sales of the traditional mainstream industry has become an important issue confronted by dealers. The automobile aftermarket is a service sector focusing on service experience and has a higher level of gross profit margin ranging from 45% to 50% on average, which is far higher than that of the manufacturing of spare parts, automobile manufacturing and new automobile sales.

(iv) Restructuring of the PRC automobile aftermarket with profound involvement of the Internet

Internet has reshaped the product channel and service model of the automobile aftermarket and promoted the e-commercialisation of products and services. Internet can shorten the length of the supply chain and lessen intermediate links to lower the cost of accessories. Being the online front office, the Internet-enabled platform can provide sufficient information resources and is conducive to eliminating the information asymmetry and easy to form standardised services and products; users can select such services and products according to their own needs by thoroughly comparing relevant service and product information on the online platform; users can find offline automobile service and product providers by searching relevant information online and conduct offline trade, thereby forming a closed loop.

(II) Favorable and unfavorable factors affecting the development of the industry

1. Passenger vehicle dealership sector

(1) Favorable factors

As driven by the following factors, China's demand for automobiles is expected to maintain a steady growth in the coming five to ten years:

(i) Support of the industrial policies

China regards automobile industry as one of its national economic pillar industries, and the "Guiding Catalogue for the Adjustment of Industrial Structure" (2011 edition) promulgated by the National Development and Reform Commission included automobile industry in the first category of encouraged industries. The introduction of a series of policies for promoting automobile consumption, such as the "Policy for the Development of the Automobiles Industry (《汽车产业发展政策》)" (Order No.8 of the National Development and Reform Commission and Order No.10 of the MIIT and the National Development and Reform Commission), the "Automobile Industry Adjustment and Revival Plan" (《汽车产业调整和振兴规划》) and the "Opinions on Promoting Automobile Consumption" (《关于促进汽车消费的意见》) (Shang Jian Fa [2009] No. 114), is to expedite the structuring of the automobile industry, advance the industrial upgrade and support automobile circulation enterprises meeting relevant conditions to conduct cross-region merger and reorgnisation to enlarge and strengthen their own capacity, support and develop the automobile credit consumption and promote the sustained, robust and stable development of the PRC automobile industry. As the link connecting automobile manufacturers and consumers, the fast and healthy development of the automobile dealership industry will definitely strongly boost consumer spending and drive the stable development of the automobile industry.

(ii) Relatively-lower automobile penetration compared with developed countries

According to the statistics released by the Ministry of Public Security of China and set out in the China Automotive Industry Yearbook, China's automobile ownership reached 154 million units as at the end of 2014. Compared to international mature markets, China's automobile ownership is still at a low level. In terms of the total automobile ownership, China's automobile ownership is just a little more than 50% of that of the US; and in terms of per-capita automobile ownership, China's automobile ownership reached about 112 cars per thousand persons as at the end of 2014, which was far less than global average level of 146 cars per thousand persons and the average level of above 500 cars per thousand persons in European and American countries.

(iii) Rapid urbanisation in China

In the past dozen years, with domestic economic growth and increasing urbanization, automobile ownership in China demonstrated a rapid growth. From 2001 to 2014, China's urbanization rate raised from 37.7% to 54.77%, and GDP grew from RMB11,030 billion to RMB63,650 billion, with a CAGR of 14.44%. At the same time, automobile ownership increased from 18 million to 154 million units, with a CAGR of 17.95%. China is currently at the stage of rapid urbanization. With the evolution of urbanization, the changes in consumption structure of rural residents and the development of new cities, there will be new breakthroughs in automobile consumption, especially in the third and fourth-tier cities.

(iv) China is at the stage of consumption upgrading represented by automobile consumption

According to historical international development, there is an obvious positive correlation between per-capita income and automobile penetration rate. When a country's GDP per capita reaches the range between US$1,000 - US$2,000, the country enters the era of automobile consumption; and when GDP per capita reaches the range between US$3,000 - US$6,000 and US$6,000 - US$10,000, the country has the fastest growth in automobile ownership. The GDP per capita in China reached US$6,100 in 2012. In light of GDP per capita and per-capita automobile ownership, there is huge consumption potential in the country's automobile market.

(2) Unfavorable factors

(i) Restricted policies on vehicle purchasing

The expansion of automobile ownership results in more severe air pollution as well as traffic congestion. Over recent years, in order to alleviate urban traffic congestion, more cities have successively introduced restrictive policies on vehicle purchase and vigorously exercised control over automobile exhaust emission and urban traffic congestion. Meanwhile, these cities have also launched a series of compatible policies on displacement, restrictions on automobile model and restricted tail plate numbers, rise in parking fee and license control. Up to date, many cities, including Shanghai, Beijing, Guizhou, Guangzhou, Tianjin, Hangzhou and Shenzhen, have successively introduced the restrictive policies on vehicle purchase. With the continuing expansion in automobile ownership per thousand persons, it is said that more cities across the nation will implement the restrictive policies on vehicle purchase. These restrictions have served as an expedient strategy for some cities to release from traffic congestion and air pollution in the short term. The expanding restrictions on vehicle purchase would impose adverse impacts on the entire vehicle sales industry.

(ii) Dispersed competition landscape of the automobile dealership sector

Currently, China' passenger vehicle dealership sector is jammed with small-sized enterprises, most of which have only one sales store, indicating a lack of large-scale operations in the sector. Despite of the strict control automobile manufacturers exercise over the selling prices of dealers, dealers always compete viciously against each other by way of "cutting price while maintaining volume" to complete their own sales targets, whereby restricting the development of the industry as a major factor. Compared with developed countries, China's passenger vehicle dealers have much to catch up with in terms of vehicle dealership business pattern, technologies, management experience and operational model, with economies of scale yet to be fully achieved.

(iii) The strong position of automobile manufacturers, the demand slowdown and the intense competition have resulted in a decreasing price of automobiles and a squeezed profit margin of automobile dealers

As the automobile market before 2008 was the sellers' market with short supply, best-selling automobile models and automobile delivery on price markup, the profits of automobile manufacturers were lucrative and the increase in production among them was intense. The incentive policies from 2009 to 2010 resulted in a short-term saturation in production capacity and accelerated the capacity expansion of automobile manufacturers. Generally, the cycle of expansion in production takes 1.5 to 2 years. From 2011 to 2013, the demand side experienced a changing course of slowing growth and increasingly mature consumers, coupled with the release of production capacity and the competition in automobile models, the market forces had shifted from sellers to buyers. However, in order to maintain their market share, automobile manufacturers had taken advantage of their strong position and became more radical in the aspects of sales targets, pricing strategy and channel strategy.

2. Passenger vehicle service sector

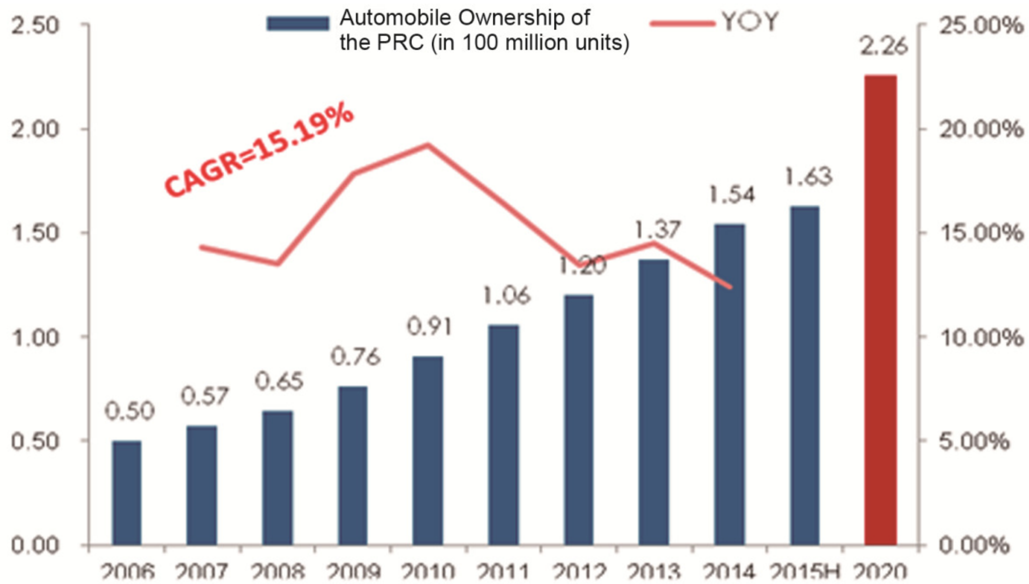
(1) Favorable factors

(i) The base quota of automobile ownership has amounted to 154 million vehicles, and the size of automobile ownership is sufficient to support the automobile aftermarket of over RMB1 trillion.

The PRC automobile industry has experienced a golden decade of high-speed development. The automobile ownership in the PRC has demonstrated a momentum of high-speed growth, amounting to 154 million vehicles as at the end of 2014 with a CAGR of 15.19% for the period from 2006 to 2014. In horizontal comparison, according to the figures set out in relevant China Automotive Industry Yearbook, the automobile ownership to automobile sales in the PRC was 6.56, which is far below the average level of around 14 achieved by developed countries and the world; the national automobile ownership per thousand persons was 112 vehicles, which is far less than that of the developed countries with established automobile industry, such as US (801), Japan (597) and South Korea (388). If the automobile ownership to automobile sales reaches the average level of the world with the automobile sales stablising at 3,500 vehicles, the automobile ownership will amount to 490 million units; if the automobile ownership per thousand persons reaches the same level of 300 units as that of developed countries, the automobile ownership will amount to 411 million units. As such, compared with other countries in the world, the national automobile ownership enjoys very huge growth potential.

Currently, the automobile sales in the PRC have entered a period of stable growth. If the compound growth rate of the PRC automobile ownership in the coming five years reaches 10%, the automobile ownership will amount to 226 million units. Such considerable automobile ownership will provide a strong “base quota” for the aftermarket.

Automobile Ownership and Growth of the PRC

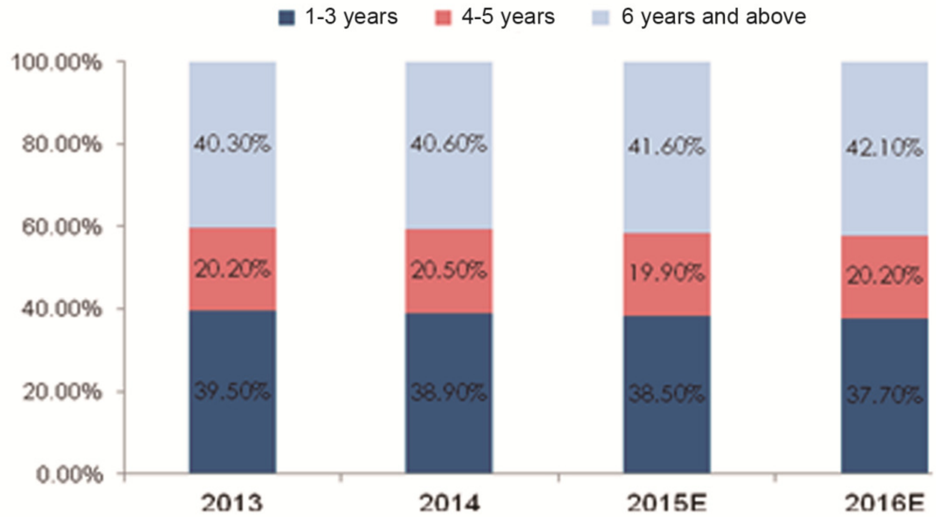


Source: Ministry of Public Security

(ii) The rising average age of vehicles in the PRC will drive the explosive development of the automobile aftermarket

The demand of the automobile aftermarket, particularly for automobile repair and maintenance, is closely related with the age of vehicles. Vehicles serving for three years or below generally have relatively less demand for aftersales services, while vehicles serving for over three years are troubled by an increasing number of issues in the course of service and therefore require more aftersales services with the passing of time; vehicles serving for over six years demand for aftermarket services the most, such as repair and pre-owned automobile trading. Currently, there are over 60% of the vehicles serving for over three years, compared to over 40% of the vehicles serving for over six years. The first private automobiles have successively been beyond the maintenance period of 4S stores. With the passage of time, the number of vehicles serving for six years or above in the PRC in the future will drive the explosive growth of the demand of the automobile aftermarket (automobile repair, extension of warranty and pre-owned automobile trading).

Age Structure of Automobiles in the PRC



Source: China Association of Automobile Manufacturers

(iii) The popularisation of automobile consumption supported by younger customer base will accelerate the increase in the penetration rate of automobile finance

Compared with the mature automobile market of developed countries, the penetration rate of the PRC automobile finance, representing the percentage of sales volume of automobiles purchased using loans, financial leasing or other methods to the total sales volume, is comparatively low. In particular, the penetration rate of the financial leasing of passenger vehicles has been far below that of the established markets and countries. According to the data of ACMR, the penetration rate of automobile finance in European counties reaches up to 70%-80%, the financial leasing of which represents approximately 20%; in the US, the penetration rate of automobile finance reaches 81%, the financial leasing of which represents approximately 46%. In 2013, the penetration rate of the PRC automobile finance was approximately 13%, the financial leasing of which represented approximately 1%, which has demonstrated that there is huge room for the increase in the penetration rate.

With the increasing income level of residents, the overall price of automobiles has declined and the penetration level of automobile consumption has improved significantly. Cars have gradually changed to common household necessites from luxury and high-end consumer products. On the other hand, as the automobile consumers born in 1980s and 1990s have stepped into the social community and become the major consumption force of automobile markets, and their sense of consumption is more forward, purchasing automobiles with non-cash methods, such as credit and financial leasing, is gaining popularity. The financial leasing is playing the role as a “conveyor” in the entire automobile industry, not only driving new automobile sales but also connecting the pre-owned automobile market, as well as providing consumers with the convenience in “automobile replacement” by virtue of its unique flexibility. The automobile finance will gradually develop into an important lever to promote automobile sales.

(iv) The successive introduction of various policies has expedited eleminating such barriers that hinder the development of the aftermarket

The Administrative Measures on Sales of Automobile Brands (《汽车品牌销售管理办法》) which has been implemented from April 2005 has granted excessive power to automobile manufacturers, forming a "vertical monoply" in the automobile industry and severely restricting the development the automobile aftersales market. Since the second half of 2014, the collection of opinions on the cancellation by the SAIC of filing procedures, the anti-monoply by the NDRC and the Administrative Measures on Sales of Automobile Brands (《汽车品牌销售管理办法》(opinion soliciting draft)) has been completed, the ten commissions and ministries have joint published the "Guiding Opinions on Promoting the Transformation and Upgrade of the Automobile Repair Industry to Improve Their Quality of Service (《关于促进汽车维修业转型升级提升服务质量的指导意见》) and the eight commissions and ministries have jointly published the Administrative Measures for Disclosure of Automobile Maintenance Technical Information (《汽车维修技术信息公开实施管理办法》). The implementation of these and a series of new policies and actions will help balance the position of all parties in the PRC automobile indsutrial chain and promote the coordinated development of the entire automobile industry. These policies provide that main engine manufacturers should disclose their automobile repair technologies publicly to repair enterprises and independent operators, and that automobile manufacturers should publish the catalogue of accessories at the time of launching new automobile sales. Meanwhile, automobile manufacturers should allow the free circulation of original accessories and ensure all repair enterprises are entitled to use homogeneous accessories to repair automobiles. These policies have remarkably improved the disadvantageous situation of independent repair channels in the supply of spare parts and repair technologies by focusing on eradicating the monoply of the automobile industry, which is of great significance for improving the marketisation degree and operational efficiency of the automobile circulation field. Accordingly, the free competition environment of the PRC automobile circulation field will be further improved.

In addition, the Decision of the Ministry of Transportation on Amendments to the Administrative Rules for Motor Vehicle Repair (《交通运输部关于修改〈机动车维修管理规定〉的决定》) published in August 2015 expressly provides for the important aspects of delegating repair-related decision-making power, expressly publishing repair technological information, establishing repair-related electronic files and defining homogeneous accessories, which has brought a promising prospect for the aftermarket businesses, such as repair and maintenance, sales of accessories and pre-owned automobile trading.

(2) Unfavourable factors

(i) The PRC aftermarket enjoys huge demand potential with overall low quality at the current stage

The players of the PRC automobile aftermarket as a whole are currently featured by "smaller scale, lack of standards and dispersed operations". As numerous segments of the industry are of lower concentration, there is no national enterprise with comparatively larger scale so far. Meanwhile, as the overall service level is yet low and there is lack of unified standards for all segments of the industry, some competitive disorders are rampant within the industry and the management of the industry is unhealthy.

(ii) The current credit system is not yet healthy

Currently, as the individual credit system is not yet completely established in the PRC and the review on automobile loans is difficut and time consuming with low efficiency, it is more likely to result in bad debts; the financial leasing industry is also in difficulty in accurately and thoroughly valuing customers' qualifications through the national financial system, which on the one hand has added the difficulty of the financial leasing industry to effectively identify customers' default risks and increased the costs of risk control and disposal of non-performing assets, and has on the other hand made it more difficult for the financial leasing industry to implement a scientific and reasonable differential risk pricing. With the progress of establishing the individual credit system being expedited, the increasingly established credit guarantee legal system and the businesses of the automobile finance aftermarket will usher in a period of promissing development.

(III) Major entry barriers and obstacles of the industry

1. Capital barrier

The capital barrier of the automobile dealership industry can be found in the construction of outlets and daily operation. The automobile dealership industry operates on a brand licensing basis. There are following requirements from automobile manufacturers for the sales outlets of dealers in the circulation market: dealers are required to design and construct their 4S stores according to the layout and appearance of such stores required by automobile manufacturers and have software and hardware conditions for sales, display, logistics, storage and aftermarket services. In addition, in the course of procurement from suppliers, automobile dealers should meet higher capital requirement as they are generally required to place corresponding prepaid purchase price with them. Moreover, dealers should meet higher requirements for capital capacity before conducting the relevant businesses of financial leasing and pre-owned automobiles. .

2. Information barrier

The competition of the passenger vehicle market is intense. The timeliness and accuracy of information which play a key role for ensuring the scientificness of making decision by enterprises have become an important factor to affect the competition among passenger vehicle brand dealers. Therefore, passenger vehicle brand dealers have to meet higher requirements for the monitoring of the market environment, the collection and analysis of information and the corresponding coping pacacity. As the scale of of the PRC passenger vehicle brand dealers is commonly small and the information collection channels are narrow, their capacity of information collection and analysis is weaker. However, as large automobile dealership groups have more channels to collect information and are generally equipped with special staff to handle information analysis and processing, the scientificness and accuracy of the decision making have been enhanced.

3. Authorisation and qualification barriers

As the PRC automobile dealership industry operates on a brand licensing basis, automobile dealers should enter into a franchising contract with automobile suppliers and conduct the activities in the scope of licensing of automobile suppliers, such as motor brand sales, aftersales services and supply of accessories. Automobile manufacturers will fully take into account the overall network planning and layout when licensing to automobile dealers, and generally authorise a specific number of automobile dealers in certain geographical regions to operate businesses to avoid excessive competition according to the local market capacity on the premise of providing consumers with quality services. In addition, dealers engaged in the financial leasing business must set up branches in provinces and obtain the license for financial leasing. Given the participants of the financial leasing industry have to meet higher requirements for financial, risk control and professional technological capacities, the competent departments are always prudent in issuing qualifications and licenses. As it takes a relatively long time to complete the review and there are a limited number of licenses to be issued, it makes the license for financial leasing rare and therefore forming a qualification barrier.

4. Talents barrier

With the development and maturity of the automobile market, as well as a general improvement of product quality, the increasing similarity of cost performance and the homogenisation of automobile models and height, the service enhancement capacity is an important option for dealers to define their market position, and the staff quality has also become an import factor to measure the competitiveness of passenger vehicle dealership and service industry. As the practitioners of the passenger vehicle dealership and service industry have direct contact with end users, they need to have a profound understanding of the automobile industry and automobile products. In addition, these practitioners serve as a key link between automobile manufacturers and customers as they are required to precisely understand customers' psychology, analyse customers' needs, improve the automobile sales and aftermarket service system, maintain the cooperative relationship with manufacturers and maintain and expand customer resources. The diversification of automobile operational models and the fast development of the automobile aftermarket field have represented higher requirements for human resources of the automobile dealership industry, such as managers, salesmen and aftersales services personnel.

(IV) Business model and cyclical, regional and seasonal characteristics of the industry

1. Business model

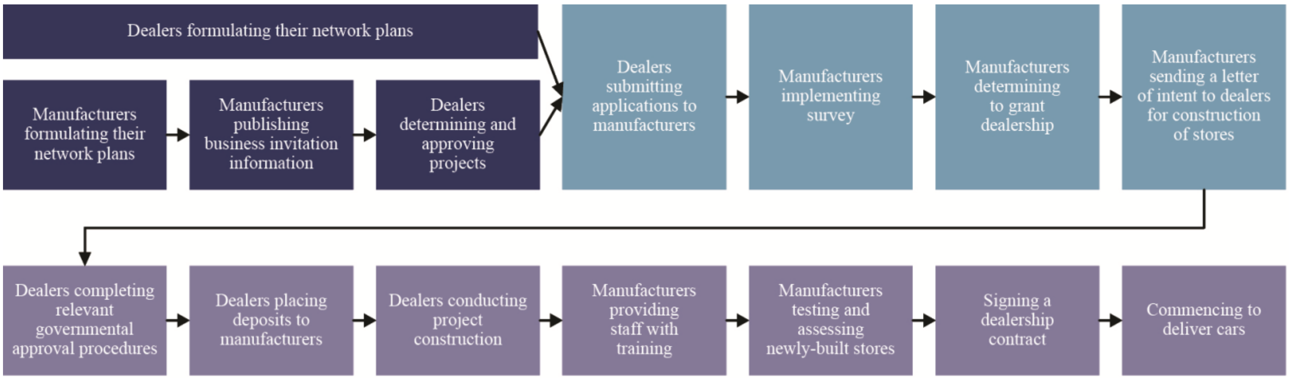
In order to adapt to the development of the PRC passenger vehicle market and to meet the increasingly intense competition among brand owners, the brand franchise store dealership model focusing on brands has been vigorously promoted and popularised by automobile manufacturers since the middle of 1990s when the PRC passenger vehicle market entered the stage of brand operation. The Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》) published and implemented in 2005 has imposed strict regulation upon the automobile brand franchising activities within the territory of the PRC, which has further boosted the high-speed development of the brand franchise store dealership model. Hence, brand franchise stores have served as mainstream dealership channels in the PRC passenger vehicle dealership market. Meanwhile, with the increasing penetration of the domestic automobile sales market into third- and fourth-tier cities, coupled with the rapid growth of the demand of customers for services of the automobile aftermarket, the secondary network of brand franchise stores represented by direct-sale stores/satellite stores over recent years and large comprehensive automobile exchanges integrating automobile dealership and aftermarket services have also achieved fast development.

(1) Brand franchise store

(i) Brand franchise store dealership model

According to the requirements of the Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》), automobile brand dealers should enter into a franchise contract with automobile suppliers and carry out the activities of automobile brand sales, aftersales services and supply of accessories within the scope of the authorisation by automobile suppliers. For a foreign automaker who wishes to sell its cars in China, he should authorise a Chinese enterprise or establish a company in accordance with relevant provisions as its exclusive automobile dealer which may either directly engage in sales of automobile brands or authorise other automobile dealers to market automobile brands.

The process of establishing a brand franchise store is set out below:



(ii) Type of brand franchise stores

The major model of brand franchise stores operates as a 4S store integrating automobile sales, spare parts, aftersales service and information survey. In order to cater for the market demand of some regions, brand franchise stores have begun to develop 2S stores focusing on sales of cars and spare parts as well as 3S stores focusing on automobile sales, sales of spare parts and aftersales services. Recently, some high-end brands, such as BMW, have also built 5S stores functionally based on 4S stores by adding the pre-owned automobile recycling and sales functions of 4S stores.

(2) Secondary network

With the growing penetration of the passenger vehicle consumption in the PRC, over recent years, the rapid rise of the automobile market in third- and fourth-tier cities has demonstrated huge development potential. In comparison, the competition of the automobile sales market in first- and second-tier cities has become increasingly fierce. Meanwhile, the comparative saturation of automobile ownership, the urban traffic jam and the current purchase limitation policies in some cities have together cast influence on the faster development of the automobile sales markets in first- and second-tier cities to some extent. In such circumstances, major automobile manufacturers and dealers have started to focus on and promote the flexible secondary network-based sales model with lower costs for construction of outlets and flexible operational mechanism in recent years.

Currently, more common types of secondary network include direct-sale store/satellite store, showroom, multi-functional showroom, fast repair store, etc. In particular, direct-sale store/satellite store and showroom owners are mainly leveraging upon brand franchise stores to meet their sales purpose without seeking for direct dealership from manufacturers. However, the network layout of these direct-sale store/satellite store and showroom owners is subject to the permit of manufacturers. The opening and operation of multi-functional showrooms and fast repair stores owners are more flexible, but they are not subject to the direct dealership of manufacturers and their network layout is also not subject to the permit of manufacturers.

(3) Comprehensive automobile trading market

With the fast development of the automobile market and the increased demand of customers for the growing maturity, personalization and diversification of automobile consumption and services over recent years, the sales of automobiles have demonstrated a trend of centralized operation and the centralized automobile exchange mainly based on a cluster of brand franchise stores has been successively established. Supported by such cluster of brand franchise stores, large comprehensive automobile exhibition halls, pre-owned automobile trading, automobile spare parts market and special automobile testing center, all integrating warehousing and logistics, as well as the auxiliary service facilities of the comprehensive automobile exchange integrating automobile finance, automobile auxiliary services, automobile leisure themed plazas, automobile clubs and motels have been gradually developed to form a large automobile life and culture market, which is also one of the development trends in the future automobile dealership models.

2. Cyclical, regional and seasonal characteristics of the industry

Passenger vehicles are durable consumer goods. In the long run, the development of the passenger vehicle sales and service industries mainly relates to the macroeconomic conditions and the spending power of end consumers. During the period of fast economic development, the sales volume of passenger vehicles will increase in line with the increasing income of consumers.

In the short run, the sales of passenger vehicles are mainly affected by the consumption habit and the promotion policy of automobile dealers. Generally, there will be a selling prime season with the coming of the important holidays, such as the National Holiday, the New Year's Day and the Lunar New Year, after October of each year, and therefore the income will be featured by seasonality.

As automobile dealers carry out business activities with the authorisation of automobile brand owners, who will determine whether or not it is necessary to establish a new 4S store by reference to the market capacity and the number and distribution of existing 4S stores in the region where automobile dealers are located. Therefore, automobile dealers are subject to regional restrictions imposed by automobile brand owners when opening new 4S stores. Furthermore, the sector show certain regional characteristics such as strong spending power in economically developed areas and obvious growth momentum in less developed areas.

(V) Correlation with upstream and downstream industries

1. Impact of the upstream industries

The upstream industry player of the passenger vehicle dealership industry is the passenger vehicle manufacturer, including joint venture brand manufacturers, proprietary brand manufacturers and imported brand manufacturers.

Joint venture brand manufacturers and proprietary brand manufacturers directly negotiate with their respective brand dealers to determine automobile models to be sold, sales volume and selling price, and formulate dealership strategies nationwide for all brand dealers to implement in their respective sales regions. Given the intense market competition and the stronger bargain power of passenger vehicle manufacturers with their brand dealers, joint venture brand manufacturers and proprietary brand manufacturers usually use the sales volume of brand automobiles as an important indicator for them to assess their brand dealers. In order to maintain or increase the market presence of their brands and to complete the sales target, passenger vehicle manufacturers would arrange additional sales volume for some brand dealers at the end of the year. Passenger vehicle dealers of single stores will be under larger operational pressure due to their single sales network and insufficient funds compare to larger passenger vehicle dealership groups.

Imported brand manufacturers negotiate with their domestic sole dealers and brand dealers to determine automobile models to be sold, sales volume and selling price, and formulate dealership plans nationwide for all brand dealers to implement in their respective sales regions. Given that the consumers of imported brands mainly target families with medium and high income and the product sales are conducted around brand image, imported brand manufacturers value the consistent implementation of their dealership plans by automobile brand dealers rather than only assessing the sales volume of brands.

In order to reach the automobile production and sales volume targets set for the "Twelfth Five-Year Plan" period, all major automobile manufacturers have formulated detailed development plans for further vigorously increasing their production and sales volume. The implementation of the continued expansion plans of upstream automobile manufacturers is supported by larger dealership groups with strong capacity and developed marketing network, which in turn will help deepening the win-win relations between automobile manufacturers and automobile dealers.

With the steady yet healthy development of the PRC passenger vehicle market, the upstream passenger vehicle manufacturing industry is expected to continuingly maintain better development momentum, which will also be helpful for the upgrade and expansion of the downstream passenger vehicle dealership and services industries. However, the growing intense competition among upstream manufacturers would also impose greater pressure on the development of downstream dealers.

2. Impact of the upstream industries

The downstream industry players of the passenger vehicle dealership industry are end users, which mainly include private automobile consumers and state-financed automobile consumers. Given the prominently dispersed consumer base of the end market, the smaller demand of single customers and the weaker bargain power of customers, passenger vehicle dealers serving as the link between passenger vehicle manufacturers and ender customers can fully pass the increased portion of the price of upstream passenger vehicles to the downstream end consumer market.

III. ANALYSIS OF THE OPERATIONS OF BAOXIN AUTO

The 2013 and 2014 financial statements of Baoxin Auto were prepared under Hong Kong Financial Reporting Standards, and audited by Ernst & Young who issued a standard unqualified audit report. The financial statements of Baoxin Auto for the period from January to September 2015 were prepared under Hong Kong Financial Reporting Standards and reviewed by Ernst & Young who issued a standard unqualified review report. The financial figures disclosed in this section were prepared under Hong Kong Financial Reporting Standards. For the discrepancy with the Accounting Standards for Business Enterprises of the PRC, please refer to section IX headed “Financial and Accounting Information”.

(I) Analysis of financial condition

1. Major components of assets and liabilities

(1) Components of assets and analysis

The asset components of Baoxin Auto for the last two years and the period ended 30 September 2015 are as follows:

Unit: RMB’0,000

Item	30 September 2015		31 December 2014		31 December 2013	
	Amount	Percentage (%)	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Current assets						
Cash and cash equivalents	319,442.1	16.28	220,289.2	11.14	202,092.6	11.31
Cash in transit	7,233.3	0.37	13,498.7	0.68	8,971.6	0.50
Pledged bank deposits	131,543.8	6.71	243,646.8	12.32	276,988.6	15.50
Amounts due from related parties	5,143.1	0.26	4,106.3	0.21	4,118.8	0.23
Prepayments, deposits and other receivables	564,963.6	28.80	550,351.5	27.83	416,896.8	23.33
Finance lease receivables	2,631.8	0.13	1,273.1	0.06	-	-
Trade receivables	61,530.5	3.14	39,315.5	1.99	55,693.9	3.12
Inventories	258,227.4	13.16	305,677.7	15.46	300,228.6	16.80
Non-current assets classified as held for sale	8,051.0	0.41				
Total current assets	**1,358,766,6**	69.27	**1,378,158.8**	**69.69**	**1,264,990.9**	**70.78**
Non-current assets		-				
Property, plant and equipment	384,838.4	19.62	378,853.7	19.16	331,038.8	18.52
Prepaid land lease payment	64,677.8	3.30	53,713.9	2.72	37,561.9	2.10
Intangible assets	89,345.9	4.55	92,218.9	4.66	94,320.6	5.28
Prepayments and deposits	36,783.6	1.88	49,808.4	2.52	40,296.0	2.25
Finance lease receivables	2,008.1	0.10	1,220.7	0.06	-	0.00
Goodwill	10,072.5	0.51	10,072.5	0.51	7,567.4	0.42
Investment in a joint venture	4,938.8	0.25	4,501.6	0.23	3,823.3	0.21
Available-for-sale investment	1,657.3	0.08	1,657.3	0.08	1,651.8	0.09
Deferred tax assets	8,537.7	0.44	7,422.9	0.38	5,921.9	0.33
Total non-current assets	**602,860.1**	**30.73**	**599,469.9**	**30.31**	**522,181.7**	**29.22**
Total assets	**1,961,626.70**	**100.00**	**1,977,628.7**	**100.00**	**1,787,172.6**	**100.00**

As shown in the above table, Baoxin Auto saw a relatively steady total assets during the last two years and the period ended 30 September 2015. As at the end of 2013 and 2014 and September 2015, Baoxin Auto's total assets amounted to RMB17,871,726,000, RMB19,776,287,000 and RMB19,616,267,000 respectively.

As at the end of 2013 and 2014 and 30 September 2015, Baoxin Auto's current assets accounted for 70.78%, 69.69% and 69.27% of its total assets. The high proportions of Baoxin Auto's current assets are generally in line with the characteristics of the automobile dealership sector, mainly due to the following reasons: (i) Baoxin Auto is principally engaged in dealership business of passenger vehicles with a high unit value, which requires Baoxin Auto to maintain a certain level of inventories to meet and expand daily operations, thus resulting in a large amount of inventories; (ii) as an automobile retailer, Baoxin Auto has to maintain a significant amount of cash to satisfy the payment for vehicle purchasing in daily operations; and (iii) as it is a common practice in the sector that automobile dealers are required to make advance payment to automakers before delivery, Baoxin Auto has a substantial amount of prepayments for vehicle purchasing.

(2) Major components of liabilities

The liability components of Baoxin Auto for the last two years and the period ended 30 September 2015 are as follows:

Unit: RMB'0,000

Item	30 September 2015		31 December 2014		31 December 2013	
	Amount	Percentage (%)	**Amount**	Amount	Percentage (%)	**Amount**
Current liabilities						
Bank loans and other borrowings	546,641.2	37.50	510,743.8	34.92	585,768.4	44.55
Trade and bills payables	440,294.8	30.21	487,791.3	33.35	436,434.9	33.19
Income tax payable	50,961.7	3.50	52,233.9	3.57	34,005.5	2.59
Other payables and accruals	77,008.7	5.28	77,951.6	5.33	72,203.6	5.49
Dividends payable	151.3	0.01				
Total current liabilities	**1,115,057.7**	**76.50**	**1,128,720.6**	**77.16**	**1,128,412.4**	**85.82**
Non-current liabilities						
Bank loans	266,986.6	18.32	262,113.6	17.92	116,414.4	8.85
Bonds	42,745.3	2.93	39,609.5	2.71	37,463.2	2.85
Deferred tax liabilities	32,884.7	2.26	32,305.0	2.21	32,556.1	2.48
Total non-current liabilities	**342,616.6**	**23.50**	**334,028.1**	**22.84**	**186,433.7**	**14.18**
Total liabilities	**1,457,674.3**	**100.00**	**1,462,748.7**	**100.00**	**1,314,846.1**	**100.00**

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had total liabilities of RMB13,148,461,000, RMB14,627,487,000 and RMB14,576,743,000, respectively, mainly attributable to bank loans and other borrowings and trade and bills payables. The increase in the total liabilities of Baoxin Auto was mainly due to the increases in the current accounts and bank loans along with business expansion and development.

As at the end of 2013 and 2014 and September 2015, Baoxin Auto's current liabilities accounted for 85.82%, 77.16% and 76.50% of its total liabilities, respectively. Such high proportions of current liabilities in total liabilities for the last two years and the period ended 30 September 2015 were in line with the fact that current assets made up a substantial portion of Baoxin Auto's total assets.

2. Major current assets

(1) Cash and cash equivalents

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had cash and cash equivalents of RMB2,020,926,000, RMB2,202,892,000 and RMB3,194,421,000, respectively.

(2) Pledged bank deposits

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had pledged bank deposits of RMB2,769,886,000, RMB2,436,468,000 and RMB1,315,438,000, respectively. As at the end of September 2015, the pledged bank deposits decreased significantly, mainly due to certain pledged bank deposits being released upon settlement of relevant bill facilities.

(3) Trade receivables

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had trade receivables of RMB556,939,000, RMB393,155,000 and RMB615,305,000, respectively, accounting for 3.12% ,1.99% and 3.14% of its total assets respectively. Overall, the size of trade receivables was relatively small and accounted for a small percentage of total assets, which was in line with the general situation of the automotive industry as a whole.

(4) Prepayments, deposits and other receivables

As at the end of 2013 and 2014 and September 2015, the prepayments, deposits and other receivables of Baoxin Auto amounted to RMB4,168,968,000, RMB5,503,515,000 and RMB5,649,636,000 respectively, accounting for 23.33%, 27.83% and 28.80% of its total assets, which are relatively high proportions, mainly representing prepayments for automobile purchase and rebate money, etc.

(5) Inventories

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had inventories in the amounts of RMB3,002,286,000, RMB3,056,777,000 and RMB2,582,274,000 respectively, accounting for 16.80%, 15.46% and 13.16% of its total assets. The inventories primarily consisted of automobiles, spare parts and accessories.

3. Major non-current assets

(1) Property, plant and equipment

As at the end of 2013 and 2014 and September 2015, the net value of property, plant and equipment was RMB3,310,388,000, RMB3,788,537,000 and RMB3,848,384,000, representing 18.52%, 19.16% and 19.62% of the total assets. The property, plant and equipment of Baoxin Auto mainly comprise buildings and structures, machinery and equipment and transportation equipment required for production and operation. The property, plant and equipment are mainly buildings, which mainly include newly-built 4S stores, offices and showrooms of the subsidiaries of Baoxin Auto. The continuing business expansion and the increase in dealership outlets either self-established or acquired has led to a rapid growth in property, plant and equipment.

(2) Prepayments and deposits

As at the end of 2013 and 2014 and September 2015, the prepayments and deposits of Baoxin Auto were RMB402,960,000, RMB498,084,000 and RMB367,836,000, respectively, representing a relatively small proportion of 2.25%, 2.52% and 1.88% of the total assets, respectively.

(3) Intangible assets

As at the end of 2013 and 2014 and September 2015, Baoxin Auto had the intangible assets of RMB 943,206,000, RMB 922,189,000 and RMB893,459,000, respectively, representing 5.28%, 4.66% and 4.55% of its total assets, respectively.

The intangible assets of Baoxin Auto mainly represent dealership agreements in Mainland China with various automobile manufacturers and customer relationships acquired from third parties.

(4) Goodwill

The goodwill of Baoxin Auto represents the difference between the cost of the investment acquiring an enterprise and the fair value of the identifiable net assets of the investee when it was conducting an acquisition not under common control. Goodwill mainly reflects the strengthening of the market competitiveness of Baoxin Auto and the synergies achieved through consolidation of resources. As at the end of 2013 and 2014 and September 2015, the book value of goodwill was RMB75,674,000, RMB100,725,000 and RMB100,725,000 respectively, representing 0.42%, 0.51% and 0.51% of the total assets, respectively. The growth of the goodwill of Baoxin Auto in 2014 was due to the acquisition of new companies for meeting the needs of business expansion.

Goodwill is measured at initial cost, i.e. the amount of consideration transferred, the non-controlling interests recognized and the fair value of the interests in the acquiree previously held in excess of the identifiable net assets acquired and liabilities assumed. The aforesaid goodwill arose from the acquisition of subsidiaries by Baoxin Auto in 2012 and 2014. According to Hong Kong Accounting Standards, Baoxin Auto conducted impairment assessment on the goodwill in its financial statements as at 30 September 2015. The impairment is determined by assessing the recoverable amounts of the units to which the goodwill relates. When assessing the recoverable amount, the management estimates future estimated cash flow and selects appropriate discount rates to calculate the present value of the cash flows of such assets. Based on the assessment made under the above critical accounting policy and reporting standards, the management believes that the goodwill is not subject to impairment as at 30 September 2015.

(5) Prepaid land lease payment

As at the end of 2013 and 2014 and September 2015, the prepaid land lease payment of the Baoxin Auto was RMB375,619,000, RMB537,139,000 and RMB646,778,000 respectively, representing 2.10%, 2.72% and 3.30% of the total assets, respectively.

4. Major current liabilities

(1) Bank loans and other borrowings

The bank loans and other borrowings of Baoxin Auto mainly comprised credit borrowings, guaranteed borrowings and secured borrowings. As at the end of 2013 and 2014 and September 2015, the bank loans and other borrowings of Baoxin Auto were RMB5,857,684,000, RMB5,107,438,000 and RMB5,466,412,000, respectively, representing a relatively large portion of 44.55%, 34.92% and 37.50% of the total assets, respectively.

(2) Trade and bills payables

As at the end of 2013 and 2014 and September 2015, the trade and bills payables of Baoxin Auto were RMB4,364,349,000, RMB4,877,913,000 and RMB4,402,948,000, respectively, representing 33.19%, 33.35% and 30.21% of the total liabilities. In general, the trade and bills payables of Baoxin Auto represented a relatively large portion of its total liabilities.

(3) Other payables and accruals

Other payables and accruals of Baoxin Auto mainly represented advances from customers. As at the end of 2013 and 2014 and September 2015, the balance of other payables and accruals of Baoxin Auto was RMB722,036,000, RMB779,516,000 and RMB770,087,000, respectively, representing 5.49%, 5.33% and 5.28% of the total liabilities, respectively.

5. Major non-current liabilities

(1) Long term bank loans

As at the end of 2013 and 2014 and September 2015, the balance of long term bank loans of Baoxin Auto was RMB1,164,144,000, RMB2,621,136,000 and RMB2,669,866,000, respectively, representing 8.85%, 17.92% and 18.32% of the total liabilities, respectively. The balance of long term bank loans at the end of 2014 increased by RMB1,456,992,000, or 125.16%, as compared to the end of 2013, mainly due to a significant increase in long term bank loans after a US$216 million syndicate loan at low interest rate was secured by Baoxin Auto in Hong Kong in August 2014 to reduce finance costs.

(2) Bonds

On 31 December 2012, Baoxin Auto issued five-year bonds with a principal amount of US$58,160,184.91 at a fixed interest rate of 5.65% per annum as part of the consideration for acquisition of NCGA Holdings Limited. As at the end of 2013 and 2014 and September 2015, the balance of the bonds payable by Baoxin Auto amounted to RMB374,632,000, RMB396,095,000 and RMB427,453,000, representing only 2.85%, 2.71% and 2.93% of its total liabilities, respetively. The bonds, maturing on 30 December 2017, are unsecured and bear interest calculated using the fixed interest rate of 5.65% per annum by applying the effective interest rate.

(3) Deferred tax liabilities

The deferred tax liabilities of Baoxin Auto comprised depreciation allowances in excess of related depreciation, capitalization of adjustment costs in relation to construction in progress, fair value arising from acquisition of subsidiaries. As at the end of 2013 and 2014 and September 2015, the deferred tax liabilities were RMB325,561,000, RMB323,050,000 and 328,847,000, respectively, representing 2.48%, 2.21% and 2.26% of the total liabilities, respectively.

6. Solvency analysis

Item	30 September 2015/January to September 2014	31 December 2014/2014	31 December 2013/2013
Current ratio (times)	1.22	1.22	1.12
Quick ratio (times)	0.99	0.95	0.85
Debt-to-assets ratio (%) (combined)	74.31 %	73.96%	73.57%

Notes: Current ratio = current assets/current liabilities

Quick ratio = (current assets - inventories)/current liabilities

Debt-to-assets ratio = total liabilities/total assets

(1) Liquidity analysis

During the last two years and the period ended September 2015, with the fast expansion of the sales volume of Baoxin Auto, the current assets and current liabilities increased at a proximate growth rate. During the reporting period, the steady current ratio and the quick ratio of Baoxin Auto have demonstrated a healthy short-term solvency.

(2) Analysis of the debt-to-assets ratio

During the last two years and the period ended 30 September 2015, the debt-to-assets ratios of Baoxin Auto were relatively stable. As at the end of 2013 and 2014 and 30 September 2015, the debt-to-equity ratio of Baoxin Auto was73.57%, 73.96% and 74.31 %, respectively.

(II) Analysis of profitability

1. Overall analysis of profitability

Unit: RMB’0,000

Item	January to September 2015	2014	2013
Revenue	1,659,573.4	3,072,343.2	3,008,168.7
Cost	1,510,129.5	2,793,577.2	2,716,129.4
Other income and gains, net	24,680.7	45,457.4	46,887.2
Selling and distribution expenses	64,400.2	98,322.1	94,681.5
Administrative expenses	47,106.8	60,881.3	53,871.3
Profit from operations	62,617.6	1,65,020.0	190,373.7
Finance costs	40,204.6	61,723.4	54,460.1
Share of profit of a joint venture	437.2	678.3	1,054.4
Share of profit of associate company	-1,615.1		
Profit before tax	21,235.1	103,974.9	136,968.0
Income tax expense	5,734.3	32,611.5	35,534.5
Profit for the year/period	15,500.8	71,363.4	101,433.5
Equity interest attributable to owners of the parent	15,303.3	70,664.4	100,680.5
Minority interest	197.5	699.0	753.0

Baoxin Auto is a leading luxury and ultra- luxury passenger vehicle distribution and services group in the PRC. With its automobile distribution network covering twelve provinces, municipalities and autonomous regions in the PRC, Baoxin Auto has established an integrated operating platform focusing on the dealership and service for luxury and ultra-luxury passenger vehicle brands, and enjoys a leading market position in terms of such brands as BMW, Jaguar & Land Rover and Maserati. During the reporting periods, Baoxin Auto saw a continued growth in its operating income. For each of the last two years and the period ended 30 September 2015, Baoxin Auto recorded net profit of RMB1,014,335,000, RMB713,634,000 and RMB155,008,000, respectively. The operating results and revenue of Baoxin Auto declined during the reporting period mainly due to the downturn of Chinese economy and the intense competition in the automobile dealership sector.

2. Sales revenue of Baoxin Auto

(1) Analysis of the overall revenue of Baoxin Auto

Unit: RMB'0,000

Item	January to September 2015		2014		2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Sales of motor vehicles	1,451,268.6	87.45%	2,766,299.0	90.04%	2,737,821.4	91.01%
Financial leasing	440.7	0.05 %	90.8	0.00%	-	-
Others	207,864.1	12.50%	305,953.4	9.96%	270,347.3	8.99%
Total revenue	**1,659,573.4**	**100%**	**3,072,343.2**	**100%**	**3,008,168.7**	**100%**

Baoxin Auto derived the majority of the revenue from its automobile sales business. The revenue derived from automobile sales in 2013 and 2014 and the period from January to September 2015 was RMB27,378,214,000, RMB27,662,990,000 and RMB14,512,686,000, respectively, representing 91.01%, 90.04% and 87.45% of the total revenue of Baoxin Auto. Baoxin Auto mainly sells new automobiles of luxury brands such as BMW, Jaguar & Land Rover, Maserati and Ferrari.

Baoxin Auto focuses its automobile sales in luxury brands and ultra luruxy brands, characterized by a smaller sales volume and high unit price as compared to automobile dealership operating lower mid-range brands. Baoxin Auto mainly sells automobiles of luxury and ultra-luxury brands. Its sales volume of Jaguar & Land Rover cars amounted to 12,164 units and 14,251 units in 2013 and 2014, representing 12.80% and 11.7% of the total sales volume of Jaguar & Land Rover cars in the PRC, respectively. Its sales volume of BMW cars amounted to 37,785 units and 40,534 units in 2013 and 2014, representing 9.7% and 8.9% of the total sales volume of BMW cars in the PRC, respectively.

Impacted by the recall incident of Jaguar & Land Rover and the Tianjin Explosion Accident that resulted in damages to a number of Jaguar & Land Rover vehicles in 2015, the sales volume of Jaguar & Land Rover in the PRC in the first three quarters of 2015 decreased nearly 30% as compared to the same period of 2014. As an important dealership of Jaguar & Land Rover in the PRC, Baoxin Auto was impacted in revenue and profits to a certain extent. Meanwhile, as part of an adjustment to its short-term operating strategy, Baoxin Auto reduced its inventory of BMW for the first three quarters in 2015, resulting in certain decline in the sales revenue of Baoxin Auto for the first three quarters in 2015, as well as a decrease in net profit.

3. Reasons for the adjustment of operating strategy of the Target Company and subsequent arrangement

According to the explanations provided by the management of the Target Company, in the first half of 2015, the inventory of BMW automobiles of the Target Company reached 50% of its total inventory, six percentage points higher than the end of 2014. Sales gross profit margin declined from 4% in 2014 to 3.5%. The overstock has resulted in further rise in the cost of capital occupation. In addition, considering the weak market and relatively heavy overstock of dealerships, the automakers downward adjusted the sales indicator for dealerships by approximately 15%. Given the above reasons, the Target Company made adjustments to the purchase volume from automakers by certain dealership stores of its subsidiaries, with an aim to further reduce the inventory pressure of BMW automobiles mitigate supply and need, and get prepared for stabilizing the unit sales price in the peak sales season in the fourth quarter and thus effectively maintain and improve the gross profit margin of BMW brand automobiles.

Through such adjustment, the inventory level at the BMW dealerships of the Target Company decreased and the sales pressure eased to certain extent. The Target Company has been as always paying much attention to inventory management and optimization and adjustment of inventory structure, maintaining a healthy inventory turnover days. The ongoing optimization and adjustment of inventory structure of Baoxin Auto will help the Target Company to be better positioned to conduct purchases and sales in the future.

4. The effect of such strategic adjustment on Baoxin Auto

According to the explanations provided by the management of the Target Company, this adjustment to operating strategy only targets the short-term purchase and sales strategies starting from June 2015 at certain BMW dealerships of the Target Company, which already came to an end in September 2015. Thanks to such favorable policies such as the reduction of automobile purchase tax by 50% and the automobile consumption stimulations such as the National Day, the New Year and Lunar New Year holidays, the overstock of dealerships has been eased to certain degree.

5. Analysis of reasons for the profit decline of the Target Company

Set out below is the income statement of Baoxin Auto in the Reporting Period:

Unit: RMB0,000

Item	Jan-Sep 2015	2014	2013
Revenue	1,659,573.4	3,072,343.2	3,008,168.7
Cost	1,510,129.5	2,793,577.2	2,716,129.4
Gross profit	149,443.9	278,766.0	292,039.3
Other income and gains, net	24,680.7	45,457.4	46,887.2
Selling and distribution costs	64,400.2	98,322.1	94,681.5
Administrative expenses	47,106.8	60,881.3	53,871.3
Profit from operations	62,617.6	165,020.0	190,373.7
Finance costs	40,204.6	61,723.4	54,460.1
Share of profit of a joint venture	437.2	678.3	1,054.4
Share of profit of an associate	-1,615.1		
Profit before tax	21,235.1	103,974.9	136,968.0
Income tax expense	5,734.3	32,611.5	35,534.5
Profit for the period/year	15,500.8	71,363.4	101,433.5
Attributable to owners of the parent	15,303.3	70,664.4	100,680.5
Attributable to non-controlling interests	197.5	699.0	753.0

For 2013, 2014 and Jan-Sep 2015, the revenue of Baoxin Auto was RMB30,081,687,000, RMB30,723,432,000 and RMB16,595,734,00 respectively, while gross profit was RMB2,920,393,000, RMB2,787,660,000 and RMB1,494,439,000 respectively. As the selling and distribution costs and administrative costs did not experience notable decline, the decrease in gross profit and net profit of Baoxin Auto was mainly due to the decrease in its revenue. During the Reporting Period, the profit of Baoxin was Auto mainly derived from its automobile sales business and after-sales business, details of which as below:

(1) Decline in gross profit of automobile sales

In respect of automobile sales, in line with the overall performance of China's automobile market, the luxury automobile market also dampened with a price cut being made more or less on the luxury automobiles. As prices were affected by anti-trust investigations and depressing external market, more discounts have been offered to end users, therefore prices continued to fall. In order to boost sales volume and reduce the inventory level of the dealers, various brands announced reduction on retail price or upgrade of configuration for certain models.

(i) Changes in the unit sales price of automobile

The unit sales price of BMW and other luxury brands fell year on year, while the unit sales price of Jaguar & Land Rover and other medium-high end brands maintained stable. Set out below are the average unit sales price of the brands of Baoxin Auto in Jan-Sep 2015, 2014 and 2013:

Unit: RMB0,000

Average unit sales price	Jan-Sep 2015	2014	2013

BMW	33.78	36.29	40.21
Jaguar & Land Rover	65.27	62.34	65.93
Other luxury brands	38.35	42.54	41.04
Medium-high end brands	13.16	12.76	13.31
Total	**34.63**	**38.05**	**39.19**

(ii) Changes in automobile sales volume

The automobile dealership sector in China saw a slowdown in the growth of new automobile sales. At the 3.15 Evening of 2015, CCTV disclosed the quality problem with the gearbox of the Range Rover Evoque, and accordingly Land Rover & Jaguar made a recall of such automobile. As impacted by the public opinion, the sales volume of Land Rover & Jaguar brands declined in Jan-Sep 2015.

Set out below is the average unit sales volume of the brands of the Target Company in Jan-Sep 2015, 2014 and 2013:

Automobile sales volume	Jan-Sep 2015	2014	2013
BMW	25,608	40,534	37,785
Jaguar & Land Rover	5,157	14,251	12,164
Other luxury brands	4,088	5,982	5,462
Medium-high end brands	7,054	11,942	14,441
Total	**41,907**	**72,709**	**69,852**

(iii) Changes in gross profit margin of automobile sales

Due to the continued price fall and decline in sales volume, the gross profit margin and gross profit of Baoxin Auto decline year on year. Set out below are relevant data of each brand in Jan-Sep 2015, 2014 and 2013:

Gross profit margin of automobile	Jan-Sep 2015	2014	2013
BMW	3.5%	4.0%	5.4%
Jaguar & Land Rover	5.6%	7.0%	8.6%
Other luxury brands	2.7%	4.6%	4.3%
Medium-high end brands	-0.3%	0.7%	1.5%
Total	**3.7%**	**4.8%**	**6.0%**

(iv) Changes in gross profit of automobile sales

Due to the continued price fall and decline in sales volume, the gross profit margin and gross profit of Baoxin Auto decline year on year. Set out below are relevant data of each brand in Jan-Sep 2015, 2014 and 2013:

Unit: RMB0,000

Gross profit/(loss)of automobile	Jan-Sep 2015	2014	2013
BMW	30,101.06	58,967.90	81,645.60
Jaguar & Land Rover	18,983.80	61,939.00	69,297.70

Other luxury brands	4,287.00	11,823.40	9,712.10
Medium-high end brands	-298.40	1,137.60	2,845.60
Total	**53,073.46**	**133,867.90**	**163,501.00**

(2) Decline in gross profit of after-sales

The decline in the sales volume of new automobiles in 2015 also impacted the after-sales business. Revenue from after-sales business was RMB2,703,473,000, RMB3,059,534,000 and RMB2,078,641,000 respectively for 2013, 2014 and Jan-Sep 2015, while the gross profit was RMB1,285,383,000, RMB1,448,073,000 and RMB959,537,000 respectively. As the after-sales business enjoyed a high gross profit margin, the decreases in revenue and gross profit from after-sales business had certain negative effect on the overall profit of Baoxin Auto.

6. Exchange difference

The difference on translation of foreign financial statements was due to the fact that the functional currencies of Baoxin Auto and its certain overseas subsidiaries are those other than RMB (including HK$ and USD). As at the ends of each Reporting Period, the amounts of assets and liabilities of such entities are translated into RMB (the reporting currency of Baoxin Auto) at the exchange rate prevailing as at the end of each Reporting Period, while relevant amounts in its income statements are translated into RMB at the weighted average exchange rate in relevant year. The exchange difference so arising are recognized in other comprehensive income. In Jan-Sep 2015, the exchange rate of RMB against HK$ and USD experienced considerable fluctuation (exchange rate of RMB against HK$ was 0.8208 and 0.7887 as at 30 September 2015 and 31 December 2014 respectively; exchange rate of USD against RMB was 6.3613 and 6.1190 as at 30 September 2015 and 31 December 2014 respectively.), which resulted in considerable difference on translation of foreign financial statements as at the end of this period.

IV. EFFECT ON THE PRINCIPAL ACTIVITIES AND SUSTAINABLE DEVELOPMENT OF THE LISTED COMPANY

(I) Effect on the principal activities of the Listed Company

1. Sharing resources and achieving synergies

Mid-to-high-end passenger vehicles are strongly supported by huge demand in the PRC market. CGA has also strategically focused on the development of mid-to- high-end passenger vehicle brands in recent years and has won considerable market presence in the PRC mainstream dealership markets of mid-to-high-end passenger vehicle brands. Despite stronger customer loyalty and profit potential of high-end brands, the Company currently remains focused more on brands such as Audi, Benz, and imported Volkswagen than brands such as BMW, Jaguar & Land Rover , Maserati and Ferrari which the Company has a weaker customer base, due to the policies and strategic emphasis on development of major automobile manufacturers in the past.

Baoxin Auto, the Target Company of the Transaction, is mainly engaged in the sales of high-end brand passenger vehicles such as BMW, Jaguar & Land Rover, Maserati and Ferrari and is a leading high-end brand passenger vehicle dealership enterprise and the largest BMW dealer in the PRC, the high-end brand portfolio of which is highly complementary with that of CGA. The Listed Company will secure quality resources in the area of high-end passenger vehicle dealership and services through the Transaction, which will help the Company further optimize its corporate brand portfolio and to better satisfy customers' needs.

The Target Company, operates an extensive network of service outlets mainly located in the Yangtze River Delta region, Northeast China, Eastern China, and Northern China, which has also formed sound complementary relationships with the outlet distribution of CGA which mainly concentrated in China's central and western regions. The Listed Company will secure quality resources in the area of outlet network distribution through the Transaction, which will help improve the distribution of its dealership and service outlets and further expand its advantageous businesses in the aftermarket industry value chain, such as financial leasing and pre-owned automobile trading, to the economically strong eastern China regions so as to allow the "CGA" automobile brand to have a nationwide presence.

2. Enhancing industry integration and promoting the implementation of the strategic planning of the Company

Given the scarcity of the regional distribution of the automobile dealership outlets and the brand authorization as well as a relatively long period required for accumulation of customers and building of markets, apart from newly-built projects, large automobile dealers have to rely upon merger and acquisition methods to achieve the expansion of their dealership network.

Amidst the significant historical period when the passenger vehicle dealership and services industry undergoes a comprehensive consolidation, CGA, as a leading passenger vehicle dealership and service group in the PRC, should seize the opportunity and launch industry consolidation to better enhance its comprehensive strengths. This acquisition of Baoxin Auto is an important move taken by the Company for business expansion by way of merger and acquisition, which is in line with the strategic purpose of the Company in the industry integration. The Listed Company will further optimise its brand portfolio, improve its nationwide dealership and service network and promote its existing modern operation and management system and advanced dealership and service model (e.g., financial leasing) at the established outlets of Baoxin Auto, thereby better exerting synergies and maintaining CGA's leading position in the field of passenger vehicle dealership and services. Upon completion of the Transaction, the Listed Company will be better positioned to acquire market share, expand its marketing network and strengthen its market position.

(II) Effect on the financial position and profitability of the Listed Company

Since the acquisition of the Target Company is yet to be completed, it is difficult for the Company to obtain the detailed financial information of the Target Company prepared under the PRC Accounting Standards for Business Enterprises and perform an audit thereon and it is also not in a position to prepare a pro forma combined financial report. Therefore, it is impossible to analyze the accurate effect of the Transaction on the financial position of the Company. The Transaction will help the Company in deploying brand and regional distribution and developing its automobile financing business such as financial leasing.

SECTION IX FINANCIAL AND ACCOUNTING INFORMATION

I. SUMMARY FINANCIAL STATEMENTS OF TARGET ASSETS FOR THE LAST TWO YEARS AND THE PERIOD ENDED 30 SEPTEMBER 2015

According to the annual reports published by Baoxin Auto, its financial statements for 2013 and 2014 and for the period from January to September 2015 were prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRS) with RMB as the reporting currency.

The Financial Reports of Baoxin Auto for 2013 and 2014 were audited by Ernst & Young who issued a standard unqualified audit report thereon. The financial statements of Baoxin Auto for the period from January to September 2015 were reviewed by Ernst & Young who issued a standard unqualified review report thereon.

Listed in Hong Kong, the Target Company is an independent legal entity incorporated outside of mainland China and has no equity or other relations to CGA. As such, the management of the Target Company considered it is not possible to provide the financial report or audit report of the Target Company prepared in accordance with the accounting system and policies adopted by CGA prior to the completion of the Offers.

II. COMPARISON OF DIFFERENCES IN ACCOUNTING POLICIES

The management of the Company has prepared explanations on, and a discrepancy table in respect of, the differences between critical accounting standards (as set out in the financial statements of the Target Company and its subsidiaries for the years of 2013 and 2014 and the nine months ended 30 September 2015 prepared by CGA under Hong Kong Financial Reporting Standards) and the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC and the specific accounting standards, practices guidance, interpretations and other relevant regulations subsequently promulgated or revised by it. Ernst & Young Hua Ming LLP was engaged to carry out assurance procedures with limited guarantee and produced a verification report on the explanations and the discrepancy table.

Based on the results of comparison between the critical accounting policies adopted by Baoxin Auto and the PRC accounting standards, Ernst & Young Hua Ming drew a conclusion as below: based on the verification procedures performed by us with limited assurance, nothing has come to our attention that causes us to believe that the discrepancy table does not reflect in any material aspect the differences between the requirments of Hong Kong accounting policies and the PRC accounting standards.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
1.	Basis of Preparation The financial statements are prepared under the historical cost convention.	The Accounting Standards for Business Enterprises - Basic Standards An enterprise shall generally adopt historical cost as the measurement basis for accounting elements. If the accounting elements are measured at replacement cost, net realisable value, present value or fair value, the enterprise shall ensure such amounts can be obtained and reliably measured.	There is no material difference between the Hong Kong accounting policies used as basis for preparation of the financial statemetns of Baoxin Auto and the PRC accounting standards.
2.	Accounting year The accounting year covers 1 January to 31 December on the Gregorian calendar.	According to the Accounting Law of the PRC, the accounting year shall cover 1 January to 31 December on the Gregorian calendar.	There is no material difference in respect of financial year between the Hong Kong accounting policies and the PRC accounting standards under this item.
3.	Basis of Consolidation The consolidated financial statements include the financial statements of the Baoxin Group for the year ended 31 December. The financial statements of the subsidiaries are prepared for the same reporting period as Baoxin, using consistent accounting policies. The results of subsidiaries are included in the consolidated financial statements from the date on which the Baoxin Group obtains control, and continue to be consolidated until the date when such control ceases. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Baoxin Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Baoxin Group are eliminated in full on consolidation. The Baoxin Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Baoxin Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii)	The Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements When preparing consolidated financial statements, subsidireis adopt the same accounting year/period as that adopted by Baoxin. The parent shall align the accounting policies and accounting periods adopted by its subsidiaries such that they are consistent with those adopted by the parent. Subsidiaries refer to the entities over which Baoxin has control power (including the separable component of a business or investee, and a structured entity controlled by the company). Control refers to the right to obtain the variable returns by the involvement with the investees, and has the ability to affect those returns through its power to direct the activities of the investees. For subsidiaries acquired through a business combination involving entities not under common control, the operating results and cash flows of the acquired company are included in the consolidated financial statements from the acquisition date until the date on which the Baoxin Group ceases the control of such subsidiary. In preparing consolidated financial statements, the adjustments shall be made to the subsidiaries' financial statement based on fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. If the current loss shared by the subsidiary's minority shareholders is greater than such share in the shareholders' interests in the subsidiary at the beginning of the period enjoyed by the minority shareholders, the remaining amount is to credit against the minority interests	There is no material difference between the basis of consolidation adopted by Baoxin Auto under the Hong Kong accounting policies and that under the PRC accounting standards.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Baoxin Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Baoxin Group had directly disposed of the related assets or liabilities.	Consolidated financial statements shall be prepared by the parent based on the financial statements of the parent and of its subsidiaries after eliminating effects of intra-group transactions between the parent and subsidiaries, and between subsidiaries, on the consolidated financial statements. Where changes to the relevant facts and conditions result in changes to one or various elements of control, Baoxin Group reevaluates whether to exercise control over the investee. Any change in the minority interests without losing control is recognised as an equity transaction. When Baoxin Group loses control over the subsidiaries, the remaining equity interests are remeasured at the fair value on the date of control loss. The aggregate of the consideration upon disposal of the equity interests and the fair value of the remaining equity interests, less the share of net assets of the subsidiaries based on the original shareholding percentage from the date of acquisition to the date of control loss, is recognised in investment income. When determining the profit or loss of such subsidiaries upon disposal, goodwill of such subsidiaries is deducted from the amount of such goodwill. Other comprehensive income related to equity investments in the original subsidiaries at the time of control loss follows the same accounting treatment as those adopted for direct disposal of the relevant assets or liabilities of the subsidiaries. The shareholders' equity interests are recognised due to changes to other shareholders' equity interests (other than net profit or loss, other comprehensive income and profit distribution) related to the original subsidiaries, and transferred to the profit or loss for the current period at the time of control loss.	
4.	<u>The financial statements of Baoxin Auto are presented in RMB</u> *Functional currency and reporting currency* The financial statements of the Baoxin Group are presented in RMB. Each entity in the Baoxin Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.	The Accounting Standards for Business Enterprises No. 19 - Foreign Currency Translation An enterprise shall, in general, choose RMB as its functional currency. For an enterprise of which the incomes and expenses are mainly valuated in the currency other than RMB, it may choose a currency as its functional currency according to Article 5 of the present Standards. However, the financial statements shall be translated into RMB.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
5.	<u>Foreign currency transactions</u> *Transactions and balance* Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on 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). *Overseas operations* For overseas operations, The functional currencies of Baoxin 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 Baoxin 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	The Accounting Standards for Business Enterprises No. 19 - Foreign Currency Translation At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency may be translated into the amount in the functional currency at the spot exchange rate of the transaction date, at the average exchange rate for the period in which the transaction occurred, or at the weighted average exchange rate for the period in which the transaction occurred. On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The resulting differences in settlement and the translation of monetary items shall be recorded into the profits and losses for the current period, save for the difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets, which shall be treated under the principle for capitalization of borrowing costs. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the determination date for fair value, with any resulting difference recorded in the profit and loss or other comprehensive income for the current period depending on the nature of the non-monetary item. Overseas businesses When translating the financial statements on the overseas businesses, an enterprise shall comply with the following provisions: (1) The asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date. The owner's equity items, except "undistributed profits", shall be translated at the spot exchange rate at the time when they are incurred. (2) The income and expense items in the profit statements shall be translated at the spot exchange rate on the transaction date, or at a spot exchange rate which is determined through a systematic and reasonable	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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 entities with functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.	method and is approximate to the spot exchange rate of the transaction date. The difference arising from the translation of foreign currency financial statements in compliance with the aforesaid Items (1) and (2) shall be presented separately under the owner's equity item of the balance sheets. When disposing an overseas business, an enterprise shall transfer the difference, which is presented under the items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this oversea business, into the profit and loss for the current period. The cash flows of foreign currency and oversea company shall be translated at the current exchange rate on the date of cash flow/the average weighted exchange rate on the date of the transaction. The effect of changes in rates of exchange on cash and cash equivalents is presented separately in the cash flow statement.	
6.	<u>Cash and cash equivalents</u> 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 Baoxin Group's cash management. For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.	The Accounting Standards for Business Enterprises No. 31 - Cash Flow Statement The term "cash" refers to cash on hand and deposits that are available for payment at any time. The term "cash equivalents" refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk change in value.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.
7.	<u>Inventories</u> Inventories are carried at the lower of cost and net realisable value. Cost is calculated on the 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	The Accounting Standards for Business Enterprises No. 1 - Inventories The inventories shall be initially measured at cost. The cost of inventories consists of purchase costs, processing costs and other costs. The purchase costs of inventories consists of the purchase price, relevant taxes, transport fees, loading and unloading fees, insurance premiums	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The assessment of impairment of inventories involves the use of estimates and judgments. These estimates are made with reference to aged inventory, projections of expected future saleability of goods and the experience and judgment of the board of directors. Based on this review, provision for impairment of inventories will be made when the estimated net realisable values of inventories decline below their carrying amounts. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.	and other expenses that are attributable to the purchase costs of inventories. The processing costs of inventories consist of the direct labor and production overheads allocated according to a particular method. "Other costs of inventories" refers to those costs, other than purchase costs and processing costs, incurred in bringing the inventories to their present location and condition. On the balance sheet date, the inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be included in the current profits and losses. The net realisable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.	
8.	<u>Investments and other financial assets</u> *Initial recognition and measurement* Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments , loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Baoxin Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. *Subsequent measurement* The subsequent measurement of financial assets depends on their classification as follows:	The Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments The Accounting Standards for Business Enterprises No. 39 - Measurement of Fair Value Classification and measurement of financial assets Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial investments, or derivatives designated as hedging instruments in an effective hedge. Financial assets are measured at fair value at initial recognition. Related transaction costs are directly recorded in the profit or loss for financial assets at fair value through profit or loss, or in the initially recognised amount for other types of Financial assets. Regular purchase or sale of financial assets is recognised and derecognised on a trading date basis. Regular purchase or sale of financial assets refers to financial assets that are delivered to or by the Baoxin Group under the terms of a contract within a period as specified by law or general practice. The trading date refers the date when financial assets are delivered to or by the Group as promised. Subsequent measurement of financial assets depends on their	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets. Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. *Loans and receivables* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance	classification: *Financial assets at fair value through profit or loss* Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets held for trading refer to financial assets that have been acquired principally for selling in the near future, are a part of an identifiable portfolio of financial instruments that is managed centrally and has a recent actual pattern of short-term profit-taking, or are derivatives that are not designated and effective as hedging instruments, are not financial guarantee contracts, are not linked to investments in an equity instrument not quoted in active markets, the fair value of which cannot be measured reliably, and to be settled by delivering the equity instrument. Such financial assets are subsequently measured at fair value, with realised and unrealised gain or loss included in profit or loss in the period. The financial assets are designated as financial assets at fair value through profit or loss, if one of the following criteria is satisfied: the designation eliminates or obviously reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different measurement basis of financial instruments; official written documents on risk management or investment strategies have recorded that the combination of financial instruments will be managed, evaluated and reported to key management personnel on the basis of fair value; hybrid instruments which contains one or more embedded derivatives, unless the containing of embedded derivatives does not have substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from relevant hybrid instruments; and hybrid instruments which contains embedded derivatives that should split, but cannot be measured separately when acquired or on the subsequent balance sheet date. Hybrid instruments related to the imbedded derivatives are not designated as financial assets or financial liabilities measured at fair value, changes of which are recognised in the profit or loss for the current period. In addition, upon satisfying the following conditions, such imbedded derivatives shall be separated from the hybrid	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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 finance costs for loans and in administrative expenses for receivables in the statement of profit or loss. *Available-for-sales financial investments* Available-for-sales financial investments include listed and non-listed capital investments and non-derivative financial assets of debt securities. Equity investments that are not held for trading or designated at fair value through profit or loss shall be available-for-sales equity investments. Debt securities under such categorization are debt securities to be held for an indefinite period, and may be disposed whenever liquidity requirements arise or market changes take place. After initial recognition, available-for-sales financial investments are subsequently measured at fair value, the unrealised profit or loss of which is recognised as other comprehensive income in the reevaluation reserve of such available-for-sales financial investments until such investments are derecognized. Then accumulated profit or loss will be recognised as other income in the statement of profit or loss. Otherwise, after such investments are recognised as impairment, then accumulated profit or loss may be reclassified from the reevaluation reserve of such available-for-sales financial investments to other profit or loss in the statement of profit or loss. Interest and dividend derived from the held-for-trading financial investments are reported as interest income and dividend income, respectively, and recognised as other income in the statement of profit or loss. When the fair value of non-listed equity investments cannot be estimated due to (a) fairly significant changes to the reasonably estimated fair value of such investments; or (b) failure to make a reasonable estimation over the possibilities of different estimations within the relevant scope, such investments are recorded as costs less any impairment loss.	instruments and treated as individual derivatives: (I) No close relationship with the main contract exists in terms of economic characteristics and risks; (II) With the same conditions as imbedded derivatives, the individual instruments comply with the definition of derivatives. In case the hybrid instruments cannot be individually measured upon acquisition or on the subsequent balance sheet date, such hybrid instruments as a whole shall be designated as financial assets measured at fair value, changes of which are recognised in the profit or loss for the current period. Enterprises are not permitted to reevaluate whether to proceed with separation, unless changes to the contractual terms of hybrid instruments will pose significant effects on the cash flow under the contract of the original hybrid instruments. *Loans and receivables* Loans and receivables refer to non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. The gain or loss arising from amortisation or impairment is recognised in the statement of profit or loss for the current period. *Available-for-sales financial assets* Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the above categories upon initial recognition. After initial recognition, available-for-sale financial assets are measured at fair value. The discount or premium is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except that impairment losses and foreign exchange gains or losses resulted from monetary financial assets are recognised as profit or loss for the current period, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	Baoxin Group will estimate whether the ability and intention to dispose available-for-sales financial assets within a short period is appropriate. In rare circumstances where Baoxin Group fails to deal with such financial assets based on an inactive market, Baoxin Group may choose to reclassify such financial assets to the extent that the management has the ability and the intention to hold such assets in the foreseeable future or until the date of maturity. For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss. *Derecognition of financial assets* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Baoxin Group's consolidated statement of financial position) when: • the rights to receive cash flows from the asset have expired; or • the Baoxin 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 Baoxin Group has transferred substantially all the risks and rewards of the asset, or (b) the Baoxin Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Baoxin 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	transferred to profit or loss for the current period. Dividends or interest income relating to an available-for-sale financial asset are recognised in profit or loss for the current period. Investments in equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured, are carried at cost. *Derecognition of financial instruments* The Baoxin Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the statement of financial position when the following criteria are met: the rights to receive cash flows from the financial asset have expired; the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has waive control of the financial asset. *Impairment of financial assets* The Baoxin Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact which can be reliably estimated on the expected future cash flows of the financial asset. 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. *Financial assets measured at amortised costs* If financial assets incur any impairment, the carrying amount of such	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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 Baoxin Group continues to recognise the transferred asset to the extent of the Baoxin Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Baoxin Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Baoxin Group could be required to repay. *Impairment of financial assets* The Baoxin Group assesses at the end of each reporting period whether there is 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 Baoxin 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 Baoxin 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	financial assets is reduced through allowance amount to the current values of the estimated future cash flow (excluding future credit losses that has yet been incurred), and the reduced amount is recognised in the profit or loss for the current period. The current values of estimated future cash flow are discounted based on the actual interest rate of such financial assets (i.e. the actual interest rate as determined upon initial recognition), taking into consideration the values of the relevant collaterals. Following impairment, the interest income is derived from the interest rate based on the discounted rate adopted for discounting future cash flow when impairment losses are recognised. If loans and receivables are not effectively expected to be recover in the future and all collaterals have been capitalized or transferred to the Baoxin Group, loans and receivables and their relevant impairment provisions will be written off. If subsequent to the recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date of reversal. *Receivables* Baoxin Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. Its estimates are based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If receivables incur any impariment, the carrying amount of such receivables is reduced to the current values of the estimated future cash flow (excluding future credit losses that have not been incurred) through allowance amount, and such reduced amount is recognised in the profit or loss for the current period. Where the customers' financial positions become so worse that the actual impairment losses are higher than expected, the carrying amount of the receivables shall be further reduced through allowance amount to the estimated future cash flow after reevaluation. If the objective evidence indicates that the values of such financial assets are restored and matters subsequent to such recognised	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written down when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Baoxin Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a receivable for which impairment allowance had made is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss. *Receivables* Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. The loss arising from impairment is recognised in the statement of profit or loss in administrative expenses for receivables.	losses are objectively related, the previously recognised impairment losses will be transferred back to the profit or loss for the current period. However, the carrying amount after transfer shall not exceed the amortised costs of such financial assets on the date of transfer on the assumption that no allowance is provided. *Available-for-sale financial asset* If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Baoxin Group evaluates, among other factors, the extent or duration to which fair value of an investment is less than its cost.	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. *Available-for-sale financial investments* For available-for-sale financial investments, the Baoxin Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Baoxin Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.		
9.	Investments in joint ventures	The Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments	There is no material difference between the Hong Kong accounting policies and the PRC accounting

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Baoxin Group's investments in joint ventures are stated in the consolidated statement of financial position at the Baoxin Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Baoxin Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statements of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Baoxin Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Baoxin Group and its joint ventures are eliminated to the extent of the Baoxin Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Baoxin Group's investments in joint ventures. When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.	The equity method is adopted for long-term equity investments when the Baoxin Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Where the accounting policies of the investee are inconsistent with those of the investor, adjustments shall be made to the financial statements of the investee according to the accounting policies and accounting periods of the investors, and the invested revenue and other comprehensive income shall be recognised accordingly. Under the equity method, if the initial cost of a long-term equity investment is more than the investing enterprise's attributable share of the fair value of the investee's identifiable net assets for the investment, such cost is stated under the initial cost of the long-term equity investment. If the initial cost of a long-term equity investment is less than the investing enterprise's attributable share of the fair value of the investee's identifiable net assets for the investment, the difference is included in the current profit or loss and the cost of the long-term equity investment is adjusted simultaneously. Under the equity method, after an investing enterprise obtains a long-term equity investment, it shall, in accordance with the attributable share of the realised net profits or losses and other comprehensive income of the investee, recognise the investment profits or losses and other comprehensive income respectively, and adjust the book value of the long-term equity investment. The investing enterprise shall, according to its accounting policies and accounting periods and on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it eliminates the share attributable	standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
		to the investor of profit or loss on intra-group transactions with associates and joint ventures (but a loss on such transaction is recognised in full if it results from asset impairment), and adjusts the net profits of the investee, except for any divested or disposed asset that constitutes the business. For equity investments in whole or part of associates or joint ventures that are categorised as held-for-sales assets, investors shall follow the relevant requirements under the "Accounting Standards of Business Enterprises No. 4 – Fixed Assets". For investments in whole or part in remaining equity interests that are not categorised as held-for-sales assets, the equity approach shall be adopted for accounting purposes.	
10.	*Fair value measurement* 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. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Baoxin Group. 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 Baoxin 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.	The Accounting Standards for Business Enterprises No. 39- Fair Value Measurement For partial investments and financial derivatives measured at fair value on each balance sheet date, 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 Group measures its assets or liabilities at fair value at the end of each reporting period. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. 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 best economic 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	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities Level 2 – based on valuation techniques for which the lowest level input that is significant to fair value measurement is observable, either directly or indirectly Level 3 – based on valuation techniques for which the lowest level input that is significant to fair value measurement is unobservable For assets and liabilities that are recognised in the financial statements on a recurring basis, the Baoxin Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to fair value measurement as a whole) at the end of each reporting period.	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 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessment at each balance sheet date.	
11.	<u>Property, plant and equipment</u> 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 Baoxin Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.	The Accounting Standards for Business Enterprises No. 4 - Fixed Assets Fixed assets shall be initially measured at cost. Fixed assets are initially measured at cost. The purchase costs of fixed assets include purchase price, the relevant taxes, and any directly attributable expenditure for bringing the asset to the working condition for its intended use. Subsequent expenses on a fixed asset refer to the renewal and alteration expenses and repair costs incurred during the use of the fixed asset, and are accounted for as follows: subsequent expenses related to a fixed asset that are qualified for recognition are included in the cost of the fixed assets and the book value of the substituted part is derecognised; otherwise they are included in profit or loss in the period when occurred. An enterprise shall reasonably select a depreciation method for a fixed asset in accordance with the expected form for the realization of the economic benefits concerning the fixed asset. The available depreciation methods include the straight-line method, unit of production method, double declining balance method, sum of the years digits method, etc.	Under the HK standards, fixed assets and construction in progress are both accounted in the accounting items of property, plant, and equipment. Under the PRC accounting principles, fixed assets and construction in progress are separately accounted. Following acquisition, corresponding adjustments shall be made to the financial statements of the acquired component in Hong Kong according to the PRC accounting principles Save for the above, there is no other difference between the accouting year adopted by Baoxin Auto under Hong Kong accounting policies and the accounting year required under the PRC accounting standards.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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 estimated useful lives and residual values of property, plant and equipment are as follows: • Buildings—30 years—5% • Leasehold improvements—Over the shorter of the lease terms and 5 years—0% • 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 any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset. Construction in progress represents buildings, plant and machinery under construction or pending installation, 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.	Once determined, the depreciation method for the fixed asset shall not be changed randomly. All components of fixed assets, which have different useful lives or produce economic benefits to enterprises in varied forms and are subject to different depreciation rates or depreciation approaches, shall be separately recognised as a single fixed asset. For each year end, Baoxin Group shall at least be required to reassess the useful life, net expected residual value, and depreciation approaches of such fixed assets, and make ajustments when necessary. Under the Standard for fixed assets, a fixed asset shall be derecognised if: 1. it is in a state of disposal; or 2. it is expected to be impossible to generate economic benefits through using or disposing of such fixed asset. When an enterprise sells, transfers or retires any fixed asset, or when any fixed asset of an enterprise is damaged or destroyed, the enterprise shall deduct the book value and relevant taxes from the disposal income, and include the amount in the current profit or loss. The book value of the fixed assets is the amount after deducting the accumulative depreciation and accumulative impairment provision from the cost of the fixed assets. The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before bringing the construction to the working conditions for its intended use and other relevant expenses. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
12.	Leases Leases that transfer substantially all the rewards and risks of ownership of assets to the Baoxin Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land and buildings lease payment under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Baoxin Group is the lessor, assets leased by the Baoxin 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 Baoxin Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms. *The Baoxin Group as lessor* Amounts due from lessees under finance leases of passenger vehicles are recognised as receivables at the amount of the Baoxin Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Baoxin Group's net investment outstanding in respect of the leases.	The Accounting Standards for Business Enterprises No. 21 - Leases A lessee and a lessor shall classify a lease as a financing lease or an operating lease on the lease beginning date. "Financial leases"refers to a lease that transfers substantially all the rewards and risks of ownership of assets. The ownership may or may not be transferred. "Operating leases"refers to all leases other than financial leases. Accounting treatment of lessor in financial lease For an asset leased out under a financial lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable at the inception of the lease, and the unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and the unguaranteed residual value, and the aggregate of their present values, are recognised as unrealized finance income, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are credited to profit or loss in the period in which they actually arise. Accounting treatment of lessee in operating lease The rents from operating leases shall be recorded by the lessee in the relevant asset costs or profit or loss in the current period by using the straight-line method over each period of the lease term, unless there are other more reasonable methods. Accounting treatment of lessor in operating lease The rents from operating leases shall be recorded in profit or loss in the current period by using the straight-line method over each period of the lease term, unless there are other more reasonable methods. The contingent rents shall be recorded in the profits and losses of the period in which they actually arise.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.
13.	Prepaid land lease payment	The Accounting Standards for Business Enterprises No.6 – Intangible Assets	Under the Hong Kong standards, land use rights are accounted for in the items of the prepaid lease

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	All land in Mainland China is state-owned and no individual land ownership rights exist. The Baoxin Group acquires the rights to use certain land and the consideration paid for such rights is recorded as prepaid land lease payment, which is amortised over the lease terms of 40 to 50 years using the straight-line method.	Land use rights that are purchased by the Baoxin Group are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and the relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.	payments for land. Under the PRC accounting principles, land use rights are accounted for in the items of the intangible assets. Following acquisition, corresponding adjustments shall be made to the financial statements of Baoxin Auto according to the PRC accounting principles.
14.	Impairment *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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount	The Accounting Standards for Business Enterprises No. 8 - Impairment of Assets An enterprise shall, on the balance sheet date, assess whether there is indication that an asset is impaired. Where an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is determined at the higher of the fair value of the asset less costs of disposal and the present value of its expected future cash flows. The present value of the asset's expected future cash flows is determined by discounting the expected future cash flows generated by the asset in continued use and at final disposal using an appropriate discount rate. The present value of its future cash flows shall take into account various factors such as the expected future cash flows, useful life and discount rate of the assets. If the measurement of recoverable amount indicates that the recoverable amount of the asset is lower than its carrying amount, its carrying amount shall be written down to the recoverable amount, with the amount so written down recognised as asset impairment loss and included in profit or loss in the current period, and a provision shall be made for asset impairment accordingly. If it is difficult to estimate the recoverable amount of an individual asset, an enterprise shall determine the recoverable amount of a group of assets including the asset. An impairment loss recognised is not be reversed in a subsequent period	Under the Hong Kong accounting policies, if the recoverable amount of intangible assets and property, plant and equipment exceeds their book value in a period after a provision has been made for impairment, the impairment loss may be reversed to certain extent. Under the PRC accounting standards, loss on long term asset impairment recognised may not be reversed in a subsequent period. Following the completion of the Offer, the financial statements of Baoxin Autowill be adjusted in accordance with the PRC accounting standards. For 2013 and 2014 and the nine months ended 30 September 2015 ("Reporting Periods"), the Baoxin Group did not provide for the impairment loss on long-term assets or reverse such loss. Save for the above discrepancy, there is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.		
15.	<u>Intangible assets</u> Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows: • Software—5 years • Dealership agreements - 40 years	The Accounting Standards for Business Enterprises No. 6 - Intangible Assets Intangible assets are initially measured at cost. However, for intangible assets acquired from business combination not under common control, if their fair value can be measured reliably, they are recognised separately as intangible assets and measured at fair value. Expenditures at the research stage of an enterprise' internal research and development project shall be included in profit or loss in the current period when incurred. The useful life of an intangible asset shall be determined based on the term in which it can generate economic benefits for the enterprise. If it is not possible to foresee the term in which an intangible asset can generate economic benefits, the same is recognised as an intangible asset with an indefinite useful life. An intangible asset with definite useful life is amortised on a systematic and reasonable basis over its useful life. The useful life and amortisation method of an intangible asset with definite useful life shall be reviewed at least annually at year-end, and adjusted where necessary. Intangible assets with indefinite useful lives are tested for impairment annually, whether there is indication for impairment. Such intangible assets are not amortized, and their useful lives are reviewed in each accounting period. If there is evidence that their useful lives become definite, they are accounted for pursuant to the above requirements for intangible assets with definite lives.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	• Customer relationship - 15 years • Club membership - 29 years • Car licence - Indefinite useful life		
16.	<u>Goodwill</u> Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Baoxin Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Baoxin Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Baoxin Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Baoxin Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when	The Accounting Standards for Business Enterprises No.20 – Business Combination The Accounting Standards for Business Enterprises No.8 - Impairment of Assets The excess of the costs of combination over the share of fair value of the acquiree's identifiable net assets acquired in a combination shall be recognised by the acquirer as goodwill. The fair value of all identifiable assets acquired, liabilities and contingent liabilities assumed of the acquiree and the measurement of cost of combination are reviewed. If the cost of combination after review is still lower than the share of fair value of the acquiree's identifiable net assets acquired in a combination, the difference is included in profit or loss in the current period. After initial recognition, goodwill is measured at cost less any accumulated impairment losses Goodwill acquired in a business combination is tested for impairment at least annually at year-end. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is, from the acquisition date, allocated to each of cash-generating units, or groups of cash-generating units if the carrying amount of goodwill is difficult to allocate to each of cash-generating units, that are expected to benefit from the synergies of the combination. If the measurement of recoverable amount indicates that the recoverable amount of the asset is lower than its carrying amount, its carrying amount shall be written down to the recoverable amount, with the amount so written down recognised as asset impairment loss and	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.	included in profit or loss in the current period, and a provision shall be made for asset impairment accordingly. An impairment loss recognised for goodwill will not be reversed in a subsequent period. Where goodwill has been allocated to a certain group of assets and the enterprise disposes of certain operation under such group of assets, goodwill related to disposal of such operation shall be (1) included to the carrying amount of such disposed operation when determining the profit or loss upon disposal; (2) such goodwill shall be allocated on a pro rata basis between the disposed operation and the remaining value of such group of assets, unless such enterprise can reflect the goodwill related to the disposed operation in a better manner.	
17.	<u>Financial liabilities</u> *Initial recognition and measurement* Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Baoxin Group's financial liabilities include trade and bills payables, other payables, bonds, and bank loans and other borrowings. Subsequent measurement The subsequent measurement of financial liabilities depends on their classification as follows: Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.	The Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments *Classification and measurement of financial liabilities* Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge. At initial recognition, a financial asset or financial liability is measured at fair value. Related transaction costs are directly included in profit or loss in the current period for financial liabilities at fair value through profit or loss or in the initially recognised amount for other financial liabilities. Subsequent measurement of financial liabilities depends on their classification: *Financial liabilities at fair value through profit or loss* Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading refer to financial liabilities that have been assumed principally for repurchase in the near future, or are a part of an identifiable portfolio of financial instruments that is managed centrally and has a recent actual pattern of short-term profit-taking, or are derivatives that are not designated and effective as hedging instruments,	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Baoxin Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied. *Loans, borrowings and bonds* After initial recognition, interest-bearing loans, borrowings and bonds 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	are not financial guarantee contracts, are not linked to investments in an equity instrument not quoted in active markets, the fair value of which cannot be measured reliably, and to be settled by delivering the equity instrument. Such financial liabilities are subsequently measured at fair value, with realised and unrealised gain or loss included in profit or loss in the period. *Other financial liabilities* Other financial liabilities refer to financial liabilities other than financial assets at fair value through profit or loss. In general, bonds issued, accounts payable arising from purchase of goods, long-term payables etc shall be classified as other financial liabilities. As to this kind of financial liabilities, actual interest rate approach will be adopted and subsequently measured at amortised cost in general. The amortised costs of financial liabilities refer to the results of the initially recognised amount of such financial liabilities after adjustments are made as follows: (I) deducting the paid principal; (II) adding or minus the cumulative amount amortised over the differences between the initially recognised amount and the amount on the due date by using the actual interest rate. The actual interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income or expense over each period based on the effective interest of a financial asset or a financial liability (including a group of financial assets or financial liabilities). It should also consider contract terms relating to the financial liabilities whilst considering various fees, transaction costs and discounts or premiums which are part of the effective interest rate paid or received between the parties to the financial assets or financial liabilities contracts. *Recognition of financial liabilities* If the underlying obligation of a financial liability has been fulfilled or discharged or cancelled or has expired, the financial liability is	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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.	derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.	
18.	<u>Other employee benefits</u> *Other employee benefits* The employees of the Baoxin 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.	The Accounting Standards for Business Enterprises No. 9 - Employee Benefits During the accounting period when the staff provides service, the enterprise shall recognise the short-term remuneration incurred actually and defined contribution scheme as liabilities in profit or loss in the current period, unless they are required or permitted to be included in the cost of assets under other accounting standards.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.
19.	<u>Revenue recognition</u> Revenue is recognised when it is probable that the economic benefits will flow to the Baoxin 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 Baoxin Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; (b) from the rendering of services, on the percentage of completion basis, in the period in which the services are rendered; (c) rental income, on a time proportion basis over the lease terms; (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument	The Accounting Standards for Business Enterprises No. 14 - Revenue The Accounting Standards for Business Enterprises No. 22 - Recognition of Financial Instruments The Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment The Accounting Standards for Business Enterprises No. 21 - Lease Revenue from the sale of goods is recognised only when all of the following conditions are met: (1) the significant risks and rewards of ownership have been transferred to the buyer; (2) the enterprise maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	to the net carrying amount of the financial asset; (e) dividend income, when the shareholders' right to receive payment has been established; (f) The Baoxin Group records revenue attributable to finance leases over the lease term on a systematic and national basis so as to produce a constant rate of return on the net investment in the finance lease; and (g) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.	(3) the amount of revenue can be measured reliably; (4) it is probable that the related economic benefits will flow to the enterprise; (5) the related costs incurred or to be incurred can be measured reliably. When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Baoxin Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Baoxin Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of services rendered over the total amount of services rendered. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Lease income from operating leases is recognised on the straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise. The amount of interest income is calculated and determined by the time when others use the enterprise's monetary capital and the effective interest rate, which is the interest rate used to discount the future cash flows from a financial asset or financial liability in the expected duration or a shorter period if appropriate to the current carrying amount of the same. Cash dividends or profit distributions declared by the investee shall be recognised as investment income in the current period.	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
		For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and the unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and the unguaranteed residual value, and the aggregate of their present values, are recognised as unrealized finance income, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are credited to profit or loss in the period in which they actually arise.	
20.	<u>Income tax</u> 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 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 Baoxin 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, associates and joint ventures, when the	The Accounting Standards for Business Enterprises No. 18 - Income Tax Income tax comprises current and deferred income tax. Income tax is recognised as an expense or income in profit or loss for the current period, or otherwise recognised directly in shareholders' equity if it arises from goodwill on a business combination or relates to a transaction or event which is recognised directly in shareholders' equity. On the balance sheet date, current income tax liabilities (or assets) arising in the current and prior periods shall be measured at the amount expected to be paid (or recovered) based on the requirements of tax laws. Deferred income tax liabilities or assets shall be recognised for any taxable temporary differences or deductible temporary differences in accordance with this Standard. Deferred income tax liabilities shall be recognised for all taxable temporary differences save for those arising from the following transactions: (1) the initial recognition of goodwill; (2) the initial recognition of an asset or liability in a transaction that: (i). is not a business combination; and (ii). at the time of the transaction, affects neither the accounting profit	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	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 carry-forward of unused tax credits and any unused tax losses. Deferred tax assets recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward 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, and a joint venture, 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	nor taxable profit or deductible loss. Deferred income tax liabilities shall be recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, unless all of the following conditions are method: (1) the timing of the reversal of the temporary differences can be controlled; (2) it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognised for the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, except for those arising in a transaction that: (1) is not a business combination; and (2) at the time of the transaction, affects neither the accounting profit nor taxable profit or deductible loss. On the balance sheet date, if there is obvious evidence that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised, the unrecognised deferred income tax assets in prior periods shall be recognised. Deferred income tax assets are recognised for the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures that satisfy all of the following conditions: (1) it is probable that the temporary differences will reverse in the foreseeable future; and (2) it is probable that taxable profit will be available against which the temporary differences can be utilised in the future. Deferred income tax assets are recognised for deductible losses and tax credits that can be carried forward to subsequent years to the extent that it is probable that future taxable profit will be available against which	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.	the deductible losses and tax credits can be utilised. The carrying amount of deferred income tax assets is reviewed on the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow benefits of the deferred income tax asset to be utilised. The amount reduced shall be reversed when it is probable that sufficient taxable profit will be available. The measurement of deferred income tax assets and deferred income tax liabilities shall reflect the effect on the income tax of the manner in which the enterprise expects to recover the assets or settle the liabilities on the balance sheet date, i.e. the measurement of deferred income tax assets and deferred income tax liabilities shall adopt a tax rate and tax basis consistent with the expected manner to recover the assets or settle the liabilities. Deferred income tax assets and deferred income tax liabilities are offset if: 1. a legally enforceable right exists to set off current income tax assets against current tax liabilities; 2. the deferred income tax assets and deferred income tax liabilities relate to the income tax levied by the same taxation authority on the same taxable entity, or to different taxable entities but in a future period in which each significant deferred income tax assets and deferred income tax liabilities reverse, the taxable entities related intend to offset the current income tax assets against the current income tax liabilities or to acquire the assets and settle the liabilities at the same time.	
21.	<u>Share-based payments</u> The Baoxin Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Baoxin Group's operations. Employees (including directors) of the Baoxin Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").	The Accounting Standards for Business Enterprises No. 11 - Share-based Payments The Accounting Standards for Business Enterprises No. 34 – Earnings Per Share Share-based equity-settled payments refer to the transactions made by the Baoxin Group for receiving services and settled by its shares or other equity instruments.	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Baoxin Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Baoxin Group or the employee are not met. However, if a new	Share-based equity-settled payments for services provided by employees are measured at fair value of equity instruments granted to employees. Equity instruments vested upon granting are recognised in related costs or expenses at fair value at the date at which they are granted, with a corresponding increase in capital reserves. For those vested upon fulfilling the performance or service conditions in the vesting period, on each balance sheet date during the vesting period, the Baoxin Group make the best estimate on the number of exercisable equity instruments using latest available information, including the change in number of employees with the right to exercise, and whether the required performance conditions are fulfilled. On this basis, services received in the current period are recognised in related costs or expenses at fair value at the date at which the equity instruments are granted, with a corresponding increase in capital reserves. The fair value of equity instrutment is determined by using binomial model.The cost or service of share-based equity-settled payments is recognised, together with a corresponding increase in capital reserves, over the period in which the performance and/or service conditions are fulfilled. The cumulative amount recognised for share-based equity-settled payments on each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Baoxin Group's best estimate of the number of equity instruments that will ultimately vest. No cost or expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the awards, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had	

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.	vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of the employee or other parties are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. In case of potential dilution of ordinary shares of an enterprise, adjustments shall be made to the net earnings for the current period attributable to the common shareholders and the average weighted number of outstanding ordinary shares, and the diluted earnings per share shall be calculated accordingly. The ordinary shares with potential dilution refer to the potential ordinary shares whose earnings per share will be reduced when converted into ordinary shares.	
22.	<u>Borrowing costs</u> 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.	The Accounting Standards for Business Enterprises No. 17 - Borrowing Costs Borrowing costs refer to interest and other related costs incurred by the Baoxin Group for borrowing, including interests on borrowings, amortisation of discount or premium, auxiliary expenses and exchange differences arising from borrowings in foreign currency, etc. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., fixed assets, investment property and inventories, etc that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised, and other borrowing costs are included in profit or loss in the current period. The capitalisation of such borrowing costs ceases when the qualifying assets are substantially ready for their intended use or sale due to the acquisition, construction or production. Borrowing costs incurred subsequently are included in profit or loss in the current period. During the period of capitalisation, the amount of capitalised interests in each accounting period is determined as: (1) for dedicated borrowings, interest expenses actually incurred in the current period less the interest income earned on temporary deposits	There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
		or investment income. (2) for general borrowings utilised, the weighted average asset expenditures of the excess of accumulative asset expenditure over the dedicated borrowings by the weighted average interest rate of the general borrowings utilised.	
23.	Government grants Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.	The Accounting Standards for Business Enterprises No. 16 - Government Grants Government grants are recognised when the grant will be received and all attaching conditions will be complied with. Government grants in monetary assets are measured at the amount received or receivable. Government grants in non-monetary assets are measured at fair value or, if the fair value cannot be obtained reliably, at nominal amount. Government grants relating to income are recognised as deferred income and included in profit or loss in the period when the relevant expenses are recognised if the grants are used to compensate relevant expenses or loss in subsequent period, or directly included in the profit or loss in the current period if they are used to compensate relevant expenses or loss incurred. Government grants relating to an asset are recognised as deferred income, equally allocated over the useful life of the asset and included in profit or loss in the current period. However, government grants measured at nominal amount are directly included in profit or loss in the current period.	Under the Hong Kong accounting standards, if government grants relate to assets, it will be recognized as deffered income, and accounted in the profit or loss for the current period after evenly allocated over the useful life of the relevant assets , equal amount for the annual payments will be released in instalment, or deducted from the carrying amount of such assets and transferred to the statement of profit or loss by deducting depreciation expenses. Under the PRC accounting principles, government grants related to assets can only be recognised as deferred income, and accounted in the profit or loss for the current period after evenly allocated over the useful life of the relevant assets. Under the Hong Kong accounting standards, if government grants relate to income, it can be separately represented as "other income" or offset the corresponding cost expenditure; while under the PRC accounting principles, it should be separately recognized and presended under "non-operating revenue". During the reporting period, the Baoxin Group did not have government grants related to its assets. In addition, as for grants relate to income, Baoxin Auto choosed to show this item under "other income" in its Hong Kong financial statement. Therefore, it is expected that there will be no significant impact on the its financial statement when make the adjustments according to PRC accounting principles upon the completion of

<table>
<tr><th>No.</th><th>Summary of Hong Kong critical accounting policies</th><th>Corresponding requirements under PRC accounting standards</th><th>Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards</th></tr>
<tr><td></td><td></td><td></td><td>acquisition.

Save for the above difference, there is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.</td></tr>
<tr><td>24.</td><td><u>Related parties</u>

A party is considered to be related to the Baoxin 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 Baoxin Group;

(ii) has significant influence over the Baoxin Group; or

(iii) is a member of the key management personnel of the Baoxin Group or of a parent of the Baoxin Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Baoxin 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 Baoxin Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and Baoxin Group is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Baoxin Group or an entity related to the Baoxin Group;</td><td>The Accounting Standards for Business Enterprises No. 36 - Disclosure of Related Parties

The following parties are considered to be related to an enterprise:

(1) its parent.

(2) its subsidiaries.

(3) other enterprises with which it is under the control of the same parent.

(4) an investor having joint control over it.

(5) an investor having significant influence over it.

(6) its joint ventures.

(7) its associates.

(8) a key individual investor, which term refers to an individual investor that has control, joint control or significant influence over the enterprise, of it or a close family member of the investor.

(9) a member of the key management personnel of it or of its parent or a close family member of such member. Key management personnel refer to the persons with the rights and responsibilities to plan, direct and control the activities of an enterprise. A close family member of a key individual investor or member of the key management personnel refers to a family member who may influence, or be influenced by, that person when dealing with a transaction with the enterprise.

(10) other enterprises under the control, joint control or significant</td><td>There is no material difference between the Hong Kong accounting policies and the PRC accounting standards under this item.</td></tr>
</table>

No.	Summary of Hong Kong critical accounting policies	Corresponding requirements under PRC accounting standards	Differences between Hong Kong accounting policies and corresponding PRC accounting standards and their effects on the preparation of the financial statements of Baoxin Auto prepared under PRC accounting standards
	(vi) the entity is controlled or jointly controlled by a person identified in (a); and (vii) (a)(i) 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).	influence of its key individual investor, member of key management personnel or their close family member.	

III. FINANCIAL STATEMENTS OF TARGET COMPANY FOR 2013, 2014 AND FOR THE PERIOD FROM JANUARY TO SEPTEMBER 2015

The financial statements below are prepared in accordance with the HKFRSs, which are similar to the International Financial Reporting Standards. The financial statements for 2013 and 2014 were audited by Ernst & Young who issued a standard unqualified audit report thereon. The financial statements for the period from January to September 2015 were reviewed by Ernst & Young who issued a standard unqualified review report thereon.

(1) Consolidated Balance Sheet

RMB'000

Item	At 30 Sep 2015	At 31 Dec 2014	At 31 Dec 2013
NON-CURRENT ASSETS			
Property, plant and equipment	3,848,384	3,788,537	3,310,388
Prepaid land lease payment	646,778	537,139	375,619
Intangible assets	893,459	922,189	943,206
Prepayments and deposits	367,836	498,084	402,960
Finance lease receivables	20,081	12,207	
Goodwill	100,725	100,725	75,674
Investment in joint ventures	49,388	45,016	38,233
Available-for-sale investment	16,573	16,573	16,518
Deferred tax assets	85,377	74,229	59,219
Total non-current assets	6,028,601	5,994,699	5,221,817
CURRENT ASSETS			
Inventories	2,582,274	3,056,777	3,002,286
Trade receivables	615,305	393,155	556,939
Finance lease receivables	26,318	12,731	
Prepayments, deposits and other receivables	5,649,636	5,503,515	4,168,968
Amounts due from related parties	51,431	41,063	41,188
Pledged bank deposits	1,315,438	2,436,468	2,769,886
Cash in transit	72,333	134,987	89,716
Cash and cash equivalents	3,194,421	2,202,892	2,020,926
Non-current assets classified as held for sale	80,510		
Total current assets	13,587,666	13,781,588	12,649,909
CURRENT LIABILITIES			
Bank loans and other borrowings	5,466,412	5,107,438	5,857,684
Trade and bills payables	4,402,948	4,877,913	4,364,349
Other payables and accruals	770,087	779,516	722,036
Income tax payable	509,617	522,339	340,055
Dividends payable	1,513		
Total current liabilities	11,150,577	11,287,206	11,284,124
NET CURRENT ASSETS	2,437,089	2,494,382	1,365,785
TOTAL ASSETS LESS CURRENT LIABILITIES	8,465,690	8,489,081	6,587,602
NON-CURRENT LIABILITIES			
Bank loans	2,669,866	2,621,136	1,164,144
Bonds	427,453	396,095	374,632
Deferred tax liabilities	328,847	323,050	325,561
Total non-current liabilities	3,426,166	3,340,281	1,864,337
NET ASSETS	5,039,524	5,148,800	4,723,265
EQUITY			
Equity attributable to owner of the parent			
Share capital	20,836	20,836	20,836
Reserves	4,956,574	4,966,581	4,345,395
Proposed final dividend	-	101,244	303,885
Total equity attributable to owner of the parent	4,977,410	5,088,661	4,670,116
Non-controlling interests	62,114	60,139	53,149
Total equity	5,039,524	5,148,800	4,723,265

(2) Consolidated Income Statement

RMB'000

Item	Jan-Sep 2015	2014	2013
REVENUE	16,595,734	30,723,432	30,081,687
Cost of sales and services provided	-15,101,295	-27,935,772	-27,161,294
Gross profit	1,494,439	2,787,660	2,920,393
Other income and gains, net	246,807	454,574	468,872
Selling and distribution expenses	-644,002	-983,221	-946,815
Administrative expenses	-471,068	-608,813	-538,713
Profit from operations	626,176	1,650,200	1,903,737
Finance costs	-402,046	-617,234	-544,601
Share of profit of a joint venture	4,372	6,783	10,544
Share of profit of an associate	-16,151		
Profit before tax	212,351	1,039,749	1,369,680
Income tax expense	-57,343	-326,115	-355,345
Profit for the year	155,008	713,634	1,014,335
Attributable to:			
Owners of the parent (profit)	153,033	706,644	1,006,805
Non-controlling interests	1,975	6,990	7,530
Total	155,008	713,634	1,014,335
Earnings per share attributable to ordinary equity holders of the parent			
Basis and diluted			
- For profit for the year (RMB)	0.06	0.28	0.39
PROFIT FOR THE YEAR	155,008	713,634	1,014,335
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements	-163,040	41	17,349
Other comprehensive income to be classified to profit or loss in subsequent periods, net	-163,040	41	17,349
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	-163,040	41	17,349
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-8,032	713,675	1,031,684
Attributable to:			
Owners of the parent (profit)	-10,007	706,685	1,024,154
Non-controlling interests	1,975	6,990	7,530
Total	-8,032	713,634	1,014,335

(3) Consolidated Statement of Cash Flows

RMB'000

Item	Jan-Sep 2015	2014	2013
Operating activities			
Profit before tax	212,351	1,039,749	1,369,680
Adjustments for:			
Share of profit of a joint venture	-4,372	-6,783	-10,544
Share of profit of an associate	16,151		
Depreciation of property, plant and equipment	240,922	284,792	228,495
Amortisation of prepaid land lease payment	5,818	7,370	6,281
Amortisation of intangible assets	28,347	40,026	39,385
Gain on disposal of a subsidiary	-16,016		-2,212
Interest income	-20,887	-33,519	-31,769
Net loss/(gain) on disposal of items of property, plant and equipment	-492	5,722	-100,476
Net loss on disposal of items of intangible assets	-	953	259
Written-down of inventories to net realisable value	-	11,787	
Finance costs	402,046	617,234	544,601
Equity-settled share option expense	-	15,745	15,925
Total	863,868	1,983,076	2,059,625
Decrease/(increase) in pledged bank deposits	1,121,030	369,266	-155,355
Increase in cash in transit	62,654	-44,971	-1,550
Decrease in trade and bills receivables	-222,150	170,294	793,936
Increase in prepayments, deposits and other receivables	-100,584	-1,211,578	-882,426
Increase in inventories	474,503	-39,691	-828,437
Increase/(decrease) in trade and bills payables	-474,965	456,788	-50,249
Decrease in other payables and accruals	- 43,395	-15,236	-102,066
Increase in finance lease receivables	-21,461	-24,938	
Cash generated from operations	1,659,500	1,643,010	833,478
Income tax paid	-81,259	-164,950	-129,818
Net cash flows generated from operating activities	1,578,241	1,478,060	703,660
Investing activities			
Purchase of items of property, plant and equipment	-317,864	-945,017	-1,141,128
Proceeds from disposal of items of property, plant and equipment	123,701	230,859	231,923
Prepaid land lease payment	-75,278	-265,965	-81,213
Purchase of intangible assets	-129	-10,930	-290
Repayment of advance to a joint venture			2,000
Acquisition of subsidiaries, net of cash paid	-	-79,762	-37,807
Deemed disposal of a subsidiary	-100,151	10,000	-1,596
Interest received	20,887	33,519	31,769
Dividends paid	-99,731	-303,885	-207,321
Net cash flows used in investing activities	-448,565	-1,331,181	-1,203,663
Financing activities			
Acquisition of non-controlling interests			-51,674
Proceeds from bank loans and other borrowings	7,227,076	11,240,573	12,884,059
Repayment of bank loans and other borrowings	-6,913,623	-10,578,425	-12,399,830
Interest paid	-398,791	-628,439	-586,382
Net cash flows generated from/(used in) financing activities	-85,338	33,709	-153,827
Net increase/(decrease) in cash and cash equivalents	1,044,338	180,588	-653,830
Cash and cash equivalents at the beginning of year	2,202,892	2,020,926	2,668,169
Effect of foreign exchange rate changes, net	-52,809	1,378	6,587
Cash and cash equivalents at the end of year	3,194,421	2,202,892	2,020,926

SECTION X BUSINESS COMPETITION AND CONNECTED TRANSACTIONS

I. BUSINESS COMPETITION

(I) Business competitions of the Listed Company before and after the Transaction

Prior to the Transaction, CGA was principally engaged in dealership and services and financial leasing of passenger vehicles. Therefore, there is no business competition between the Company, Guanghui Group (as the controlling shareholder), Mr. Sun Guangxin (as the de facto controller), or other enterprises under their control.

Following completion of the Transaction, Baoxin Auto will become a subsidiary indirectly controlled by the Listed Company. The Transaction will not result in a change of the controlling shareholder and the de facto controller of the Listed Company. The controlling shareholder of the Listed Company remains to be Guanghui Group, while the de facto controller continues to be Mr. Sun Guangxin. There is no business competition between the Company, Guanghui Group (as the controlling shareholder), Mr. Sun Guangxin (as the de facto controller), or other enterprises under their control.

(II) Measurements to avoid business competition

To fully safeguard the interests of the Listed Company, Guanghui Group (the controlling shareholder of CGA) and Mr. Sun Guangxin (the de facto controller of CGA) have already provided their "Non-Competition Undertakings", details of which are set out as below:

"1. As at the date of the Non-Competition Undertakings, the Company/I and the enterprises under our control is/ are not directly or indirectly engaged in any business that is identical or similar to those undertaken by the Listed Company, or does/do not own any shares of any enterprise that is likely to compete against the Listed Company, nor are we interested in any competing enterprise. We will not directly or indirectly undertake any business that constitutes competitions against the Listed Company in any form, offer direct or indirect investments or acquisition of any competing enterprise, or provide assistance or support to any business of any competing enterprise through any means.

2. In case of any breach in the abovementioned Non-Competition Undertakings, the Company/I is/am willing to accept all liabilities arising therefrom, and provide full compensations/indemnities to all direct or indirect losses incurred by the Listed Company.

3. The abovementioned Non-Competition Undertakings will take effect immediately following its execution. Such Non-Competition Undertakings will remain effective during the period when the Company/I exercise(s) direct or indirect control over the Listed Company (regardless of causes due to capital or non-capital factors) or significant influence over the Listed Company, and cannot be changed or revoked."

II. CONNECTED TRANSACTIONS

(I) Connected transactions of Baoxin Auto

According to the information disclosed in the 2013 and 2014 audited annual reports, the Review Report provided by Baoxin Auto for the period from January to September 2015 and prospectus of Baoxin Auto published on the Hong Kong Stock Exchange, the connected transactions of Baoxin Auto in 2013, 2014 and the period from January to September 2015 were as follows:

1. Each of Baoxin Auto's subsidiaries, Shanghai Zhongchuang Automobile Sales Co., Ltd. (上海中创汽车销售有限公司) and Shanghai Minhang Kailong Automobile Sales Co., Ltd.(上海闵行开隆汽车销售有限公司), leased premises from Shanghai Kailong Automobiles Sales Co., Ltd.(上海开隆汽车销售有限公司), a company controlled by Mr. Yang Aihua, at a rental of RMB800,000 per annum.

   In 2013 and 2014, Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. paid an aggregate rent of RMB3,200,000 to Shanghai Kailong Automobiles Sales Co., Ltd. The aforesaid lease agreements were not renewed upon expiry at the end of 2014.

2. In 2013 and 2014 and for the period from January to September 2015, Baoxin Auto had the following amounts due from related parties as at the end of relevant periods:

Unit: RMB'0,000

Related party	30 September 2015	31 December 2014	31 December 2013
Mr. Yang Aihua	-	22.8	35.3
Shenyang Xinbaohang Automobile Sales & Services Co., Ltd.(沈阳信宝行汽车销售服务有限公司)	4,083.5	4,083.5	4,083.5
Autostreets	1,059.6	-	-
Total	**5,143.1**	4,106.3	4,118.8

(1) The amount due from Shenyang Xinbaohang Automobile Sales & Services Co., Ltd of RMB 40,835,000

As at 30 September 2015, Shenyang Xinbaohang Automobile Sales & Services Co., Ltd was a joint venture of Baoxin Auto. As at 30 September 2015, the amounts due from Shenyang Xinbaohang Automobile Sales & Services Co., Ltd of RMB40,835,000 represents 0.21% of the total assets of Baoxin Auto and 0.81% of the net assets. Such receivables were attributable to the advancement to the related party for capital lending purpose. Based on communications with the management of the Target Company, the abovementioned payments remain outstanding up to date.

(2) Amounts due from Autostreets of RMB10,596,000

Autostreets and Baoxin Auto are under common control of the same de facto controller. As at 30 September 2015, the amounts due from Autostreets to the Target Company of RMB10,596,000 represents 0.05% and 0.21% of total assets and net assets of Baoxin Auto, respectively, which was mainly due to the historical payment of staff salary by Baoxin Auto on behalf of Autostreets. According to the communication of management of the Target Company, the above amounts has not repaid to date.

(3) Repayment Arrangement

The Target Company to be acquired is an independent offshore legal entity incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. Its daily operations are in compliance with the relevant requirements of the SFC and the Hong Kong Stock Exchange. Given the fact that there is no shareholding relationship between the Target Company and the Company and the Transaction represents a voluntary offer to be made by CGA to acquire a company listed on the Hong Kong Stock Exchange, the Company cannot make overall arrangements in respects of daily operation of the Target Company prior to the completion of the Transaction.

According to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror in December 2015, Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid shall procure:

a. the Target Company provide evidence to the reasonable satisfaction of CGA and the Offeror to prove it has recovered and repaid at least 30% of the outstanding receivables in the interim accounts;

b. the Target Company provide CGA, the Offeror and its representatives(by giving writing notice in advance) with reasonable access to its books, accounts, employees, communications and other reasonable materials that CGA, the Offeror and its representatives may need to check for the payments of the receivables in the interim accounts;

c. the Target Company and its subsidiaries collect all the outstanding receivables in the interim accounts as feasible as possible after the date of the Irrevocable Undertaking Agreement.

Meanwhile, Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid agree that the Offeror has the right to deduct (a) a total of HK$1,098,354,000 from Baoxin Investment; and (b) a total of HK$113,046,000 from [Auspicious Splendid]. The above deductions represent the adjustments to the receivables in the total consideration as of the Closing Date or such later date that the shareholders of other target companies who accept certain offer to receive the payment, on condition that when all the precedent conditions have been fulfilled or, if applicable, waived, the Target Company failed to provide evidence to the reasonable satisfaction of CGA and the Offeror to prove it has recovered and repaid at least 30% of the outstanding receivables in the interim accounts.

(II) Connected transactions of CGA following completion of the Transaction

Following completion of the Transaction, Baoxin Auto will become a subsidiary indirectly controlled by the Listed

Company. The Transaction will not result in any change of the controlling shareholder and the de facto controller of the Listed Company. The controlling shareholder of the Listed Company remains to be Guanghui Group, while the de facto controller continues to be Mr. Sun Guangxin. In addition, no change occurs to the connected transactions between the Company and its controlling shareholder, de facto controller or other enterprises under their control.

(III) Measures to reduce and regulate connected transactions

To fully safeguard the interests of the Listed Company, Guanghui Group (the controlling shareholder of CGA) and Mr. Sun Guangxin (the de facto controller of CGA) have issued the "Undertakings to Reduce and Regulate Connected Transactions" (hereinafter referred to as the "CTU"), details of which are set out as below:

"1. Following completion of the Transaction, the Company/I will continue to comply with the requirements as set forth under such laws, regulations, rules, and regulatory documents as the "Company Law" and the provisions of the "Articles of Association" of the Listed Company, when we exercise the shareholder's rights or procure the Directors to exercise their rights, including the obligation to abstain from voting for or against such connected transactions as involve us at general meetings and the board meetings.

2. Following completion of the Transaction, the Company/I will minimize connected transactions with the Listed Company. When undertaking connected transactions that are necessary indeed without possible avoidance, we will ensure compliance with the marketization principles and fair value pricing, while completing the Transaction procedures and the disclosure obligations in accordance with the requirements as set forth under the relevant laws, regulations, rules, and other regulatory documents.

Neither agreements nor arrangements in relation to the interrelated matters and transactions entered into between the Company/I and the Listed Company will inhibit any business relationship or transactions with any third party for the interest of their own under the same competitive market conditions."

SECTION XI IMPLICATIONS ON CORPORATE GOVERNANCE MECHANISM

Prior to the Transaction, the Company operated in strict compliance with such relevant laws and regulations as the “Company Law”, the “Securities Law”, the “Listing Rules”, and the requirements and standards as stipulated by CSRC, and established a matured corporate governance structure and independent operating mechanism. Following completion of the Transaction, the Company will further improve its corporate governance structure in accordance with the requirements as set forth under such laws and regulations as the Company Law, the Securities Law, and the Governance Principles of Listed Companies. CGA’s controlling shareholder before and after completion of the Transaction are both Guanghui Group, and therefore there is no change to the controlling stake. To further improve the corporate governance structure, the Company contemplates the adoption of the following major measures:

I. CONTROLLING SHAREHOLDER AND THE LISTED COMPANY

Following completion of the Transaction, the Company will proactively procure the controlling shareholder to stringently and lawfully exercise the shareholder’s rights, and duly perform the fiduciary duties in favor of the Company and other shareholders. In addition to exercising the shareholder’s rights, the controlling shareholder will directly or indirectly not intervene with the decisions, productions, or operations of the Company, nor will such controlling shareholder exploit its rights to seek additional interests. Therefore, the legitimate interests of minority shareholders will be protected.

II. SHAREHOLDERS AND GENERAL MEETINGS

Following completion of the Transaction, the Company will perform its functions of general meetings in strict compliance with the Articles of Association, the Rules of Procedures of the General Meetings, and other requirements, while ensuring all shareholders, particularly including minority shareholders, will enjoy all equal rights as stipulated under the laws, administrative regulations, and the Articles of Association. Under the legal and effective circumstances, the Company will diversify various means and channels, including modern information technologies, to further increase the percentage of shareholders attending general meetings for the purposes for safeguarding the information rights and participation rights of the shareholders. In addition, the Company will improve the “Connected Transaction Policies”, while strictly regulating connected transactions between the Company and the related parties, therefore safeguarding the interests of the minority shareholders.

III. DIRECTORS AND THE BOARD OF DIRECTORS

The board of directors is responsible for general meetings, and its members elected at a general meeting will perform their duties according to the Articles of Association, the Rules of Procedures of Board Meetings, and other rules, exercise their rights to make decisions on their operations within the terms of reference, and establish and implement a matured and effective internal control system. Improvement and implementation of the work system for independent directors will be in strict compliance with the relevant national laws, regulations, and rules, as well as the requirements under the Articles of Association.

IV. SUPERVISORS AND THE SUPERVISORY BOARD

Following completion of the Transaction, the Company will continue to provide necessary assistance to the supervisors for their smooth performance of duties in by strictly following the requirements under the Articles of Association and the Rules of Procedures of the Supervisor Board, which safeguards the rights of the Supervisory Board to supervise the legality and compliance of corporate finance, and directors, managers, and other senior management of the Company performing their duties, while maintaining the legitimate interests of the Company and the shareholders.

V. INFORMATION DISCLOSURE

Following completion of the Transaction, the Company will continue to follow the relevant laws and regulations regarding the relevant information disclosure as required by the CSRC and the stock exchanges, and comply strictly with the information disclosure under the Articles of Association, Information Disclosure Management Policies, and other regulations. In addition, the Company will proactively and timely disclose all possible information that exerts substantial influences over the decision-making process of the shareholders and other stakeholders, and ensure that all shareholders enjoy equal opportunities to access information.

SECTION XII RISK FACTORS

Apart from the other contents herein and the relevant documents disclosed concurrently with this Report, investors are also advised to give due consideration to the following risk factors when assessing the Transaction to be conducted by the Company:

I. RISKS RELATING TO THE TRANSACTION

(I) Risk of cancellation or failure of the Transaction

The Transaction is subject to the satisfaction of a number of conditions, i.e., the making of the Partial Offer and the Option Offer is subject to the satisfaction or, where applicable, waiver of the pre-conditions as set out in the paragraph headed "(II) Approval procedures yet to be fulfilled for the Transaction" under subsection headed "X. Procedures Fulfilled or Yet To Be Fulfilled for The Transaction" of the section headed "Significant Matters".

As at the date of this report, the development of the abovementioned precedent conditions is as follows:

(1) For precedent conditions as listed in Item 1, the MOFCOM recieved the application submitted by the Company regarding the collective report of operators with respect to the Transaction as of 14 December 2015;
(2) For precedent conditions as listed in Item 2, the Company submitted the overseas investment application with respect to the Transaction to the NDRC of the PRC;
(3) For precedent conditions as listed in Item 3, CGA issued the "Notice of the Sixth Session of Extraordinary General Meeting of 2015" as of 12 December 2015, whereby stating that the Company will convene the sixth Extraordinary General Meeting of 2015 on 28 December 2015 and considering the relevant resolution of the Transaction;

For precedent conditions as listed in Item 4, based on the explanations of the Target Company, the Target Company is currently engaged in negotiations with the relevant lenders according to the financing agreements. Given the preliminary results through negotiations with those lenders, the Target Company believes that there are no substantial obstacles to obtaining the consent by those lenders.

According to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA, and the Offeror, the pre-conditions shall be satisfied before eight months following the date of the Hong Kong Offers Announcement. There are uncertainties as to whether the pre-conditions could be satisfied within the agreed period, and any failure to satisfy or, where applicable, obtain a waiver for any of the pre-conditions within the agreed period may result in suspension, discontinuance, cancellation or failure of the Transaction. As such, investors are advised to be aware of the risk of possible termination of the Transaction.

(II) Legal and policy risks

In the Transaction, CGA is an A-share listed company in the PRC, while the Target Company, Baoxin Auto, is a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange. Therefore, this Acquisition is subject to the regulations and policies of both Mainland China and Hong Kong in relation to foreign mergers and acquisitions and takeovers of public listed companies. There are risks relating to the introduction of new laws or policies that are adverse to the Transaction or such investigations as may be launched by local government and relevant regulatory authorities. The Target Company will have to stay in compliance with the relevant requirements of the SFC and the Hong Kong Stock Exchange in the future as CGA intends to maintain the listing status of the Target Company on the Hong Kong Stock Exchange after the completion of the Transaction. CGA has respectively appointed experienced financial advisers and Legal Advisers to facilitate the consummation of the Transaction by minimizing relevant legal risks.

(III) Risk of failure to obtain third-party consents in connection with the Transaction

The Transaction will involve a change in the control of the Target Company whose controlling shareholder and de facto controller will be changed to CGA (Hong Kong) and Mr. Sun Guangxin, respectively, upon completion of the Transaction. Pursuant to the automobile dealership contracts entered into between the Target Company and its subsidiaries and certain automakers, the loan agreements entered into between the Target Company and certain banks, and the agreements governing the issuance of US$ bonds with a principal amount of approximately US$58,160,000 by the Target Company, any change in the control of the Target Company is subject to the consent of the automotive brand owners which grant dealership to Baoxin Auto and of the relevant creditors of Baoxin Auto.

In accordance with the Irrevocable Undertaking Agreement between CGA and the Offeror and Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, (1) one of the pre-conditions to the Offers is to obtain consents or waiver from the relevant lenders under the Facility Agreements (see the Definition section for the details of the loan agreements under the Facility Agreements) for the change in the ultimate controlling shareholder of the Target Company or the waiver of any event of default, termination right or similar provision relating to a change of the ultimate controlling shareholder or senior management of the Target Company under the Facility Agreements; (2) in the event that holders of the US$ bonds with a principal amount of approximately US$58,160,000 exercise the rights of redemption attached to such bonds of Baoxin Auto (or any part thereof) and the Target Company is required to pay 103% of the principal of the bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of such bonds of Baoxin Auto, Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, have agreed to jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the bonds.

Notwithstanding the above arrangements made for the existing debts of the Target Company under the Irrevocable Undertaking Agreement between CGA and the Offeror and Mr. Yang Aihua and Baoxin Investment and Auspicious Splendid, both controlled by him, it shall be noted that the Target Company has other loans or debts in addition to the loans under the Facility Agreements and US$ bonds; and if the relevant creditors do not grant their consent in respect of the Transaction that will result in a change in the de facto controller of Baoxin Auto, such creditors may demand Baoxin Auto to repay the debts before they fall due, which may cause certain financial management pressure and risks to the Target Company in the short term. If the automotive brands do not grant their consent in respect of the Transaction that will result in a change in the de facto controller of Baoxin Auto, such automotive brands may withdraw the authorization granted to Baoxin Auto, which would have an adverse impact on the future market share and results of operations of Baoxin Auto.

1. Consents required to be obtained and having been obtained so far from automotive brand owners and relevant creditors and their percentage in total debts

(1) Consents required to be obtained and having been obtained so far from automotive brand owners

According to the statements provided by Baoxin Auto, as the Transaction will involve a change in the de facto controller, 43 automobile dealership contracts held by 25 subsidiaries of Baoxin Auto require consent from relevant automotive brand owners to continue their authorization. Such brands include BMW, GAC Toyota, Buick, Chevrolet, Cadillac, Jaguar & Land Rover, Porsche and Volvo.

Currently, Baoxin Auto and CGA had communications with relevant automotive brand owners in relation to the change in the de facto controller arising from the Transaction and obtained positive responses and consents from the brand owners of BMW, Jaguar & Land Rover, Porsche and Volvo, As at the date of this Report, Baoxin Auto and CGA are in the process of communication with relevant automotive brand owners.

(2) Consents required to be obtained and having been obtained so far from relevant creditors

(i) According to the legal opinions issued by the Offshore Legal Adviser and the information publicly disclosed by the Target Company, the Target Company had entered into three offshore Facility Agreements with relevant lenders. As at 30 September 2015, the outstanding balances under such offshore Facility Agreements in aggregate amounted to US$577,000,000, representing 42.86% of the total liabilities of the Target Company as at 30 September 2015(hereinafter referred to as the total liabilities, comprised of bank loans and US dollar bonds). To obtain consent or waiver from the relevant lenders under the said Facility Agreements for the change in the ultimate controlling shareholder(s) of the Target Company is one of the pre-conditions to the Partial Offer. According to the statement provided by Baoxin Auto, Baoxin Auto has been in the process of communication with relevant lenders pursuant to the said Facility Agreements; and based on the results of the initial communication, there is no substantive obstacle for the Target Company to obtain such consents.

(ii) On 31 December 2012, Baoxin Auto issued 5-year unsecured payment-in-kind bonds with an aggregate principal amount of US$ 58,160,000 (“Baoxin Bonds”), at the fixed interest rate of 5.65% per annum. Pursuant to the terms of the Baoxin Bonds, if any one obtains more than 30% voting rights of the Target Company after issuance of the bonds, holders of the bonds shall be entitled to, by way of notice in writing, demanding the Target Company to redeem the bonds before they fall due at 103% of the principal amount of the bonds plus accrued interests thereon, and the Target Company shall be required to make relevant payment upon receipt of such notice within five business days. Considering that the Transaction will result in the Offeror obtaining of more than 30% voting rights of the Target Company, the Transaction will trigger the term of early redemption by bondholders. As at 30 September 2015, such bonds are yet to be repaid with an aggregate outstanding balance of US$ 58,160,000, representing 4.32% of the total liabilities of the Target Company as at 30 September 2015.

Pursuant to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and the Offeror, in the event that a holder of the bonds exercises the right of redemption attached to the Baoxin Bonds (or any part hereof) and that the Target Company is required to pay 103% of the principal amount of the Baoxin Bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of the Baoxin Bonds, each of the Baoxin Covenantors shall jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to each of the Baoxin Covenantors requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the Baoxin Bonds.

(iii) Pursuant to the domestic bank borrowing agreements entered into between Baoxin Auto and relevant creditors, those lenders involved in such restriction include The Bank of East Asia (China) Ltd. Suzhou Branch, Ningbo Commerce Bank Co., Ltd. Shanghai Branch, CITIC Bank Corporation Limited Suzhou Branch, and CITIC Bank Corporation Limited Shanghai Branch. According to the statement provided by Baoxin Auto, in respect of such domestic bank borrowings, Baoxin Auto has communicated with the aforesaid four banks and obtained oral consent from the relevant creditors. As such, there is no substantive obstacle for the Target Company to obtain consents from such creditors. The aggregate outstanding balances under these facility agreements amounted to RMB1,197,937,500, representing 13.99% of the total liabilities of the Target Company as at 30 September 2015.

2. The Target Company's capability to pay and financing means available when requiring to make early repayment of debts

(1) Debts under the offshore Facility Agreements. Under the Transaction, there is no possibility of early repayment for the debts under the offshore Facility Agreements as to obtain consent or waiver from the relevant creditors of such debts is one of the pre-conditions to the Partial Offer;
(2) Baoxin Bonds. In respect of the claims and debts under the Baoxin Bonds, the Transaction is likely to trigger the term of early redemption by bondholders requiring the Target Company to make early repayment. Pursuant to the Irrevocable Undertaking Agreement entered into among Mr. Yang Aihua, Baoxin Investment, Auspicious Splendid, CGA and the Offeror, in the event that a holder of the bonds exercises the right of redemption attached to the Baoxin Bonds (or any part hereof) and that the Target Company is required to pay 103% of the principal amount of the Baoxin Bonds (or any part thereof) plus accrued interests in accordance with the terms and conditions of the Baoxin Bonds, each of the Baoxin Covenantors shall jointly and severally pay on demand within ten business days to the Target Company of the Offeror giving notice in writing to each of the Baoxin Covenantors requiring such payment to be made, an aggregate amount in cash equal to 3% of the principal amount of the Baoxin Bonds.
(3) Domestic borrowing agreements. As CGA and Baoxin Auto has communicated with the aforesaid four banks in respect of the change in the de facto controller as a result of the Transaction and obtained oral consent from the relevant creditors, it is very unlikely that the Target Company will be required to make early repayment of such debts. As at 30 September 2015, the outstanding balance of such debts amounted to RMB1,197,937,500, representing 13.99% of the total liabilities of the Target Company Group as at 30 September 2015.

As a result of the foregoing, Baxin Auto may be required to make early repayment of the debts in an amount of not exceeding RMB1,567,910,700. As at 30 September 2015, Baoxin Auto had cash and cash equivalent of RMB3,194,421,000. Meanwhile, Baoxin Auto had RMB8,801,430,600 of unused lines of credit from financial institutions, available for domestic financing. In addition, Baoxin Auto is able to raise funds through offshore financing platforms. Therefore, Baoxin Auto has adequate solvency to meet its obligations if Baoxin Auto is required to make early repayment of part of the debts.

3. Measures to be taken in the event of failure to obtain consent for the Transaction

Based on the exchanges and communications with the relevant automotive brand owners and the relevant creditors, it is likely that the automotive brand owners and the relevant creditors will grant their consent for the Transaction.

(1) In the event of failure to obtain consent from the automotive brand owners (such automotive brand owners contributed to less than 5% of the total revenue of Baoxin Auto derived from sale of automobiles in 2014), there will be no material adverse impact on the operations of Baoxin Auto.

(2) Baxin Auto may be required to make early repayment of the debts in an amount of not exceeding RMB1,567,910,700. In the event of failure to obtain consent from the relevant creditors, Baoxin Auto’s internal financial resources and lines of credits from financial institutions may serve as payment guarantee for such debts. Secondly, as at the end of September 2015, CGA obtained lines of credit up to RMB52,280 million in total from a number of banks, of which RMB25,958 million was utilized and the RMB26,322 million remains unused. As such, CGA has sufficient financial resources to cover such debts.

(IV) Risks relating to tax withholding

Pursuant to the Notice of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax arising from Indirect Transfers of Properties by Non-Resident Enterprises (SAT Notice 2015 No. 7) (《国家税务总局关于非居民企业间接转让财产企业所得税若干问题的公告》(国家税务总局公告 2015 年第 7 号)), CGA (Hong Kong) shall act as tax withholding agent in connection with the share transfer under the Transaction. In the event that the tax withholding agent fails to withhold, and the transferor fails to pay, the tax payable upon transfer of the shares, the competent tax authority may impose a penalty on the withholding agent for its failure to withhold such tax in accordance with the tax administration law and its implementation rules. Mr. Yang Aihua and its connected persons Baoxin Investment and Auspicious Splendid have entered into the Irrevocable Undertaking Agreement, whereby agreeing to the declaration and payment obligations pertaining to the income tax under No. 7 Notice, as well as permitting CGA (Hong Kong) (as the Offeror) to withhold a total tax amount of HK$400 million (amongst which, HK$362,673,000 from Baoxin Investment and HK$37,327,000 from Auspicious Splendid) with respect to the taxes payable related to the transactional consideration involved in this Transaction between Baoxin Investment and Auspicious Splendid according to No. 7 Notice. However, there still exist risks that tax payment may not be made as committed, and under such case and the payable tax by related parties exceed the withholding tax, CGA and CGA (Hong Kong) may be demanded by the competent tax authority to make such tax payment and thus suffer a loss.

(V) Risks relating to the implementation of the Offers

Upon satisfaction or ,where applicable, waiver of the pre-conditions to the Partial Offer, CGA (Hong Kong) will make the Partial Offer to the Qualifying Shareholders of the Target Company to acquire a maximum of 1,917,983,571 shares and the Option Offer to the Optionholders to cancel up to 11,622,500 outstanding Share Options. Upon completion of the Offers, CGA will hold not more than 75% equity interest in the Target Company in order to maintain its listing status on the Hong Kong Stock Exchange. Meanwhile, CGA will enter into the Irrevocable Undertaking Agreement with Mr. Yang Aihua, the controlling shareholder of the Target Company, and Baoxin Investment and Auspicious Splendid (both controlled by Mr. Yang Aihua), pursuant to which Baoxin Investment and Auspicious Splendid will accept the Partial Offer in respect of the 1,242,224,000 Shares (representing approximately 48.58% of the total issued shares of the Target Company) and the 127,920,000 Shares (representing approximately 5.00% of the total issued shares of the Target Company) owned by them respectively. As such, CGA will obtain the control of the Target Company upon completion of the Offers.

The Transaction will be carried out through making a pre-conditional voluntary cash Partial Offer and an Option Offer by CGA (Hong Kong) to the Qualifying Shareholders and Optionholders of the Target Company, respectively. In addition to the risk relating to approvals, it is possible that other competitors may make competing offers to the shareholders of the Target Company during the period of the Offers, in which case the price for acquisition of the Target Company by CGA (Hong Kong) may be adjusted or it may take a longer time for the completion of the Transaction to take place, or not at all.

In addition, as the Offers contain the condition in relation to a maximum of 75% issued shares of the Target Company, upon completion of the Offers, the number of shares transferred to CGA from Baoxin Investment and Auspicious Splendid will depend on the acceptance of the Offers by the Qualifying Shareholders of the Target Company. However, it is not feasible to anticipate the acceptance of the Offers by the Qualifying Shareholders of the Target Company other than Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid. Therefore, if the Offers proceed as scheduled, the number of shares of the Target Company to be acquired by CGA (Hong Kong) through the Offers will range between 1,370,144,000 and 1,917,983,571 (assuming no Share Options are exercised). Accordingly, the final number of shares and shareholding in the Target Company held by CGA are subject to uncertainty and the consideration to be paid therefor remains uncertain. Investors are advised to remain cautious about the relevant investment risks.

(VI) Risk relating to the financial statements of the Target Company that were not audited by PRC CPA

Baoxin Auto is listed on the Hong Kong Stock Exchange, and its annual consolidated financial statements are prepared in accordance with Hong Kong accounting standards. The consolidated financial statements of the Target Company for 2013 and 2014 were audited by Ernst & Young who issued standard unqualified audit reports thereon, and the consolidated financial statements for the period from January to September 2015 were reviewed by Ernst & Young who issued a standard unqualified review report thereon. Meanwhile, the management of the Company has prepared explanations on, and a discrepancy table in respect of, the differences between critical accounting standards (set out in the financial statements of the Target Company and its subsidiaries for the years of 2013 and 2014 and the nine months ended 30 September 2015 prepared under Hong Kong Financial Reporting Standards) and the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC and the specific accounting standards, practices guidance, interpretations and other relevant regulations subsequently promulgated or revised by it. Ernst & Young Hua Ming LLP was engaged to carry out assurance procedures with limited guarantee and produced a verification report on the explanations and the discrepancy table. As there are certain differences between Hong Kong accounting standards and PRC Accounting Standards for Business Enterprises, the audited financial reports prepared in accordance with the PRC Accounting Standards for Business Enterprises may be subject to certain adjustments upon completion of the Transaction, which may involve the risk of adjusting the operating results of the Target Company.

(VII) Risk of increasing debt size

CGA will finance the Offers with its internal resources and self-raised funds. The sources for self-raised funds may come from obtaining loans from banks. Upon completion of the Transaction, CGA will have a higher gearing ratio. CGA plans to repay such debts with cash flows to be generated from its operating activities. If the expected synergies could not be achieved in the short term, or the cash inflows to be generated from CGA's operating activities fail to meet expectation, there would be risks that the short-term solvency and subsequent debt financing capacity of CGA would be adversely impacted.

(VIII) The risks that the performance of the Target Company would decline

In line with the general declining trend in the performance of the PRC automobile industry in 2015, the luxury automobile market also cooled down with prices falling. Affected by the anti-price-monopoly investigations and the external market slump, coupled with deeper discounts at the end of market, prices will continue to decline. In order to promote sales volume and decrease inventories of dealers, various automobile brands have lowered retail prices for some vehicle models, resulting in a decrease in gross profit of dealers. The Target Company made a short-term adjustment to its operational strategies in the third quarter of 2015, net profit of Baoxin Auto attributable to owners of the parent amounted to RMB1,014,335,000, RMB706,644,000 and RMB153,033,000, respectively for 2013, 2014 and January to September 2015, and the profits also decreased. Investors are advised to pay attention to the risks that the aforesaid performance of the Target Company would deteriorate.

II. RISKS RELATING TO THE INDUSTRY AND BUSINESSES OF THE TARGET COMPANY

(I) Risk relating to macroeconomic volatility

The principal activities of CGA and Baoxin Auto are passenger vehicle dealership and service business, the market development of which is closely associated with the changes in domestic and international economic environment. Changes in economic cycle will directly affect the development of the passenger vehicle industry. If China's macro economy slows down or suffers persistent recession in the future, whereby affecting the growth in residents' disposable income, residents' spending on automobile purchasing will reduce accordingly and the industry will be impacted to a certain extent, which may affect the development of the principal businesses of CGA and Baoxin Auto. Therefore, macroeconomic development cycle will have some impact on the Company's future operations.

(II) Risk relating to operations in automotive industry

Due to the implementation of automotive industry policies and the recovery of macro economy, PRC passenger vehicle market witnessed a growth spurt during 2009 to 2010, with a year-on-year growth of about 40% in sales volumes, the biggest growth among global automotive markets. However, under the impact of adverse factors such as termination of preferential policies in favor of the automotive industry, rising oil prices and imposition of car-purchasing restrictions in major cities, the growth of passenger vehicle market has slowed down since 2011. Although there still remains much room for the development of domestic passenger vehicle market as compared to developed countries, the automobile sales of CGA and Baoxin Auto may be adversely affected to certain extent if the automotive industry experiences obvious fluctuations under the impact of macro economy, fuel prices and automotive industry policies in the future. Meanwhile, as there is a strong correlation between passenger vehicle financial leasing sector and automobile sales, the fluctuations in the automotive industry as a whole will have a negative impact on the financial leasing business of the Company upon completion of the Transaction.

In addition, since the market concentration of domestic automobile dealership industry remains low, industry integrations are the development trend of the automobile dealership sector, market competition will become increasingly fierce and industry structure will change. In the meantime, with development of new technologies, innovative business models constantly emerge, which may impact the automotive service sector. If CGA and Baoxin Auto fail to adapt to the market trends and changes in customer needs or timely respond to the impact of new business models, intensifying market competition may pose certain impact on the Company's competitiveness in the passenger vehicle dealership and service sectors.

Furthermore, regional macro-control policies on automotive industry will pose certain impact on local vehicle dealership sector. In recent years, local governments have stepped up their efforts to control automobile exhaust pollution and urban congestion, and introduced a series of policies on automobile emissions and displacement, traffic restrictions based on vehicle type and the last digit of license plate numbers, parking fee increases and license control. Currently, Baoxin Auto's sales business focus primarily on economically developed regions in China, where local governments face relatively greater pressure on controlling automobile exhaust pollution and urban congestion. Therefore, such policies currently have produced certain impact on Baoxin Auto. If such policy pressure is further increased in the areas covered by Baoxin Auto's marketing network in the future, it may have negative impact on the operating results of Baoxin Auto.

(III) Risk relating to dealership granted by automakers and brand reputation

Pursuant to relevant requirements of the Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》), automobile dealers must obtain authorization from automakers before they carry out sales activities of vehicles (other than special-purpose vehicles). Baoxin Auto carries out its business through entering into dealership contracts with automakers. Such contracts usually set out the restrictive requirements of relevant automakers such as investment size, staffing, technical services, service quality, change of control and non-competition restrictions, and may be renewed upon mutual agreement of both parties or automatically renewed after expiry. If an automobile dealer fails to meet the requirements imposed by relevant automaker, the automaker may cancel or terminate cooperation with such automobile dealer. Though Baoxin Auto has maintained good partnership with major automakers, if its dealership is terminated by any relevant automaker in the future due to its failure to meet the requirements of such automaker, or any dealership contract is not renewed by relevant automaker upon expiry, the operations of Baoxin Auto may be affected to certain extent. In addition, Should any adjustment be made to the Measures for the Implementation of the Administration of Automobile Brand Sales (《汽车品牌销售管理实施办法》) and other relevant regulatory requirements in the future, the brand licensing-based business model of the automobile dealership sector may change accordingly, which may pose challenges to the future development of Baoxin Auto and affect the value of franchise rights held by Baoxin Auto, thus resulting in impairment losses.

Furthermore, the automobile dealership sector is susceptible to the impact of upstream automotive manufacturing industry. If any automaker does not comply with applicable laws, rules and regulations, or its products have serious quality defects, or there arise political frictions between its home country and China, or its R & D and production activities are interrupted due to force majeure, in each case, severely affecting its product supply or brand reputation, there may cause certain adverse impact on the automobile dealers of such brand. Though Baoxin Auto primarily sells automobiles of high-end luxury brands which enjoy good market reputation and strong anti-risk capability, Baoxin Auto is unable to control the operating activities of automakers and other suppliers, and thus cannot guarantee that there will be no occurrence of any circumstance that would affect the product supply or brand reputation of automakers or other suppliers due to abovementioned factors in future cooperation. The occurrence of any such circumstance may pose certain impact on relevant brand dealership business of Baoxin Auto.

(IV) Risk relating to defects of certain properties

Some of the properties owned or occupied by Baoxin Auto have certain defects due to non-compliance in terms of their uses and nature, or lack of certain ownership documents or incomplete leasing procedures. As at 30 September 2015, 40.85% of the aggregate area covered by the use rights of the land owned or otherwise occupied by Baoxin Auto and its subsidiaries has various legal defects, and 61.99% of the aggregate GFA of the buildings owned or otherwise occupied by Baoxin Auto and its subsidiaries has various legal defects. It is common in the industry that buildings and land used by automobile dealers for business purposes have non-compliance issues in terms of nature and uses and other aspects, and according to the statement of Baoxin Auto, it has not received any written notice from competent administration authorities ordering it to return the land or dismantle the buildings. However, there remain risks that Baoxin Auto may be ordered to return the land or be penalized, or be demanded to relocate its business premises by competent administration authorities, which in turn would affect the going concern ability of Baoxin Auto.

As the Controlling Shareholder of the Company, Guanghui Group undertakes that "in case that, upon Baoxin Auto having become the subsidiary of CGA, Baoxin Auto or its subsidiaries are subject to any resumption of land, demolition of buildings, or penalties in whatever form imposed by relevant governmental departments or any legal liabilities due to the non-compliance with relevant laws or regulations of the lands or buildings owned or leased by them before becoming subsidiaries of CGA, Guanghui Group agrees to bear and indemnify Baoxin Auto or its subsidiaries from any losses, damages, claims, costs and expenses caused, incurred, or suffered by CGA ,Baoxin Auto or its subsidiaries arising from the aforesaid resumption of land, demolition of buildings, penalties or legal liabilities".

(V) Risk relating to business integration

Acquisition has always been an important initiative for the Company to expand its passenger vehicle dealership and service network, and the Company has fairly strong merger and acquisition capacities and experience. During 2011 to 2014, the Company obtained control over 56 companies through acquisition, and secured 193 dealership service outlets (amongst which 162 are 4S stores).With its own outstanding acquisition and merger capacities following acquisition, CGA implemented the “100-Day Integration Scheme” for all acquired stores, and completed various in-phase work, including integration and establishment of management teams, operating systems, introduction of service standards, determination of budget targets, and formulation of store improvement, which in return comprehensively enhanced the store operation and performance level. As a result of platform-based acquisitions, CGA can quickly enter the new market, secure rare and premium marketing network resources, and swiftly establish its own regional advantages, thereby fully benefiting from the fast growth of the domestic auto market.

Baoxin Auto, the Target Company under the Transaction, primarily operates a portfolio of luxury and ultra-luxury automobile brands including BMW, Land Rover, Jaguar, Ferrari and Maserati, with most of its outlets distributed across Yangtze River Delta region, Northeastern China, Northern China and Eastern China, and having a strong market presence in first-tier cities such as Beijing and Shanghai. Baoxin Auto is highly complementary with CGA in terms of brand portfolio and network distribution. The Transaction, upon completion, will allow CGA to further optimize its brand portfolio and improve its nationwide dealership and service network distribution. CGA will make full use of the complementary advantages of the Listed Company and the Target Company in brands, channels, management, operation and other aspects to integrate resources, so as to achieve synergies, maintain and boost the competitiveness of the Target Company and bring these comprehensive competitive edges into play.

As the Target Company of the Transaction has a large number of outlets, it will take time for CGA to fully integrate sales, manpower, management and other aspects. As such, there is risk that the Company may not be able to complete business integration within a short period. Upon completion of the Transaction, Baoxin Auto’s current Chairman and executive director Mr. Yang Aihua, and executive directors Mr.Yang Zehua and Mr. Yang Hansong will no longer serve the said positions, and certain key management members of the Target Company and its subsidiaries might resign from their current positions. If the Company fails to appoint qualified and competent persons to replace them in a timely manner, it may pose adverse impact on its strategic decision-making and operation and management. In addition, if CGA fails to adapt its operation and management to the changes in additional outlet distribution, brand portfolio and business size upon completion of the Transaction, or there arise material obstacles to the continuing business integration between CGA and the Target Company, the synergies the Transaction aimed to achieve may not be realized.

In summary, despite the fact that the Company has fairly strong acquisition and merger capacities and experience, there is uncertainty as to whether the business integration would proceed as scheduled or achieve the expected synergies upon completion of the Transaction. This Transaction is subject to unsatisfactory business integration risks to a certain extent, which may pose adverse impact on the future operating results of CGA.

(VI) Risk of goodwill impairment

The Transaction will result in a large amount of goodwill for CGA. Pursuant to the PRC Accounting Standards for Business Enterprises Guidelines No. 20- Business Merger, for a business combination under common control, the acquirer on the date of acquisition determines its value based on the fair values of various identifiable assets and liabilities of the acquire through combination, and determines the excess of the combination cost over the fair value of the acquiree's identifiable net assets acquired, which shall be recognized as goodwill or losses for the current period. Whether or not there is indication that goodwill is impaired, CGA is required to perform impairment test on goodwill annually. If the trading position of the Target Company deteriorates in the future, goodwill may be impaired, which in turn may have a negative impact on the current profit or loss of CGA.

According to the proposal of this Transaction, CGA proposes to, subject to the satisfaction or where applicable, waiver of the pre-conditions, make (though CGA (Hong Kong), a wholly-owned subsidiary of CGA) a pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the shares and take control of Baoxin Auto (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1293). The consideration for the Transaction will be settled in cash at the Offer Price of HK$5.99 for each share of Baoxin Auto and HK$0.266 for each Share Option. The aggregate cash consideration payable by the Offeror under the Offers (assuming no Share Options having been exercised) will be approximately HK$11,491,823,815.29 ,equivalent to approximately RMB9,467,653,968.46 (based on the central parity rate of HKD against RMB on 4 December 2015, i.e., HK$1=RMB0.82386). As at 30 September 2015, the unaudited net assets of the Baoxin Auto attributable to the parent was approximately RMB4,977,410,000 (as calculated on the basis of the 75% shares to be acquired, the unaudited net assets of the Baoxin Auto attributable to the parent was approximately RMB3,733,057,500). As a result, a large amount of goodwill will be recorded in the combined financial statements of CGA after the completion of this Transaction.

In accordance with the requirements of the PRC Accounting Standards for Business Enterprises Guidelines No. 20-Business Merger, for business merger not under the common control, the fair value of all identifiable assets and liabilities acquired by the acquirer from the acquiree on the acquisition date in the merger is accounted for, with the difference established between the cost of business merger and fair value of the identifiable assets acquired from the acquire to be recognized as goodwill or through current gain or loss. The acquisition date refers to the day on which the acquirer acquired the control over the acquiree, being the date on which the control is transferred in the course of business merger. As at the date of this Report, CGA had not yet completed the Transaction and therefore cannot exercise control over Baoxin Auto, nor can it confirm the acquisition date, and therefore cannot recognize the fair value of its identifiable net assets by conducting an assessment on the identifiable assets and liabilities of the acquiree as at the acquisition date in accordance with the requirements of PRC Accounting Standards for Business Enterprises Guidelines - Business Merger. As a result of the foregoing, CGA cannot precisely calculate the amount of goodwill to be generated upon completion of the Transaction as at the date of this Report.

In accordance with the requirements of the Accounting Standards for Business Enterprises, GCA will upon obtaining the control over the acquiree conduct evaluation on the identifiable assets and liabilities of the Target Company at the acquisition date. The fair values of such evaluated identifiable assets and liabilities shall be recorded directly in the combined financial statements as their carrying amounts, and the difference between the aggregate costs paid by CGA for the acquisition and fair value of identifiable net assets acquired will be recognized as goodwill.

(VII) Risk relating to pending litigations

As at the date of this Report, the pending material litigations (above RMB5 million) involving the Target Company or any of its subsidiaries are set out below:

1. Suzhou Baoxin Automobile Sales & Services Co., Ltd.（苏州宝信汽车销售服务有限公司）, a subsidiary of the Target Company in the PRC, acquired the entire equity interest of Zhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) from Zhong You Hang Holdings Limited (中油航控股有限公司). However, upon completion of the acquisition, it found out that Zhong You Hang Holdings Limited (中油航控股有限公司) withheld the fact that the land with an area of approximately 17 mu owned byZhong You Hang (Xinjiang) Investment Co., Ltd. (中油航（新疆）投资有限公司) is designated for forestation purpose and thus cannot be used for its intended purpose. Consequently, Suzhou Baoxin Automobile Sales & Services Co., Ltd.(苏州宝信汽车销售服务有限公司）has filed a lawsuit against Zhong You Hang Holdings Limited (中油航控股有限公司) seeking compensation of approximately RMB26 millions;

2. Beijing YanHao Auto Sales & Service Co., Ltd. (北京燕豪汽车销售服务有限公司) ("Beijing YanHao"), a subsidiary of the Target Company in the PRC, entered into a lease agreement and supplemental agreement with Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) for the leasing of the No. 215 land lot located at Zhangyi village, Fengtai District, Beijing to establish a Volvo 4S store. However, it turned out that the land lot is designated for forestation purpose and thus cannot be used for its intended purpose. As a consequence, Beijing YanHao has filed a lawsuit demanding the termination of the agreement, refund of rentals and accrued interest thereon and compensation totaling approximately RMB61,300,000, while Beijing Xinmin Investment Co., Ltd. (北京新民投资有限公司) lodged a counterclaim against Beijing YanHao alleging breach of the agreement and demanding liquidated damages of approximately RMB17,800,000.

3. Industrial Bank Co., Ltd. Jincheng Branch brought a suit against Jincheng Tangrong Industry Co., Ltd. (晋城市唐荣实业有限公司) (a subsidiary of the Target Company) and 6 guarantors (including Jincheng Tangdi Auto Sales and Services Co., Ltd. (晋城市唐迪汽车销售服务有限公司)) for its failure to make timely payment for the bills payable under two commercial bill acceptance agreements entered into between them, demanding the payment of the principal amount and accrued interest thereon totaling approximately RMB8,130,000.

4. On 28 March 2013, Shanghai Baoxin Automobile Sales & Services Co., Ltd. (上海宝信汽车销售服务有限公司) ("Shanghai Baoxin") entered into a cooperation agreement with Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司), pursuant to which both parties would jointly establish and operate a Jaguar & Land Rover 4S store in the Zone C5 at the middle section of Fengcheng 5th Road. However, due to disputes arising from their disagreement over the cooperation, both parties have filed lawsuits against each other, Shanghai Baoxin demanding the refund of fixed income, deposit for cooperation and interest on late payments totaling RMB2,871,600, and Shaanxi Huayue Auto Parts & Repair Co., Ltd. (陕西华越汽车配件维修有限责任公司) demanding the refund of gains and interest on late payments totaling RMB6,955,000.

If defeated as defendents in above litigations, the Target Company may be required to bear penalties, compensation or legal costs of the Counterparties, which would pose certain impact on the production and operations of the Target

Company.

III. OTHER RISKS

(I) Risk of fluctuations in share price

The fluctuations in share price of the Company not only depend on the operating results of the Company, but are affected by macro-economic cycles, interest rates, exchange rates, capital supply and demand, as well as international and domestic political and economic conditions and investors' psychological factors. Investors are advised to be aware of the risks involved and make right investment decisions. The Company will strictly comply with the Company Law, Securities Law and other applicable laws and regulations and duly perform its obligations of information disclosure, so as to safeguard investors' interests. Investors are advised to be cautious about the investments risks and make prudent investments.

(II) Risk of exchange rate fluctuations

As the Target Company is listed on the Hong Kong Stock Exchange, the Target Company has overseas loans and issuance of US$-dominated bonds during its usual course of business. Furthermore, the consideration for the Transaction will be made in Hong Kong dollars, while the consolidated financial statements of CGA are presented in RMB. With the fluctuations in exchange rate between RMB, US$ and Hong Kong dollars, there may be risk of exchange rate fluctuations for the Transaction.

(III) Other risks

The Company does not rule out the possibility of other adverse effects that may be brought about by other uncontrollable factors such as politics, economy and natural disasters.

SECTION XIII OTHER IMPORTANT MATTERS

I. FOLLOWING THE TRANSACTION, THERE WILL NOT ARISE ANY CIRCUMSTANCE WHERE FUNDS OR ASSETS OF THE LISTED COMPANY ARE POSSESSED BY THE DE FACTO CONTROLLER OR OTHER RELATED PARTIES, OR WHERE THERE IS ANY GUARANTEE PROVIDED FOR THE DE FACTO CONTROLLER OR ITS RELATED PARTIES

Following completion of the Transaction, there will not arise any circumstance where funds or assets of the Listed Company are possessed by the de facto controller or its related parties for non-operating purposes, or where there is any guarantee provided for the de facto controller or its related parties.

II. ASSET TRANSACTIONS OF THE LISTED COMPANY WITHIN THE LAST TWELVE MONTHS

Within the twelve months before the Transaction, the asset transactions with the Company and their relationship with the Transaction are as follows:

1. Merro Pharmaceutical exchanged the equivalent portion of 100% equity interests owned by seven counterparties including Guanghui Group in Guanghui Limited with all of assets and liabilities (other than available-for-sale financial assets) owned by it as Outgoing Assets. The difference of the Outgoing Assets in excess of the Incoming Assets would be purchased by Merro Pharmaceutical by issuing shares to all shareholders of Guanghui Limited based on the respective shareholding in Guanghui Limited.

On 5 December 2014, Merro Pharmaceutical convened the eighth meeting of the fifth session of the board meeting and had considered and passed the “Report on the Major Asset Swap of Merro Pharmaceutical Co., Ltd. and Asset Acquisition and Fundraising through Share Issuance and the Connected Transactions” and the relevant resolutions. In addition, the independent directors also expressed their independent opinions. According to the valuation conclusions set out in the Enterprise Value Valuation Report (Hu Dong Zhou Zi Ping Bao Zi (2014) No. 0999183) (《企业价值评估报告书》) issued by Orient Appraisal, the net assets of Guanghui Limited (i.e. the Incoming Assets) as at the Valuation Base Date (i.e. 30 June 2014) were valued at RMB24,270 million. Based on the said the valuation and after deducting the amount of RMB692,750,000 for profit distribution by Guanghui Limited after the Valuation Base Date, the 100% equity interests in Guanghui Limited were determined to be RMB23,577,250,000 by the parties to the Transaction upon negotiations. The difference of the Outgoing Assets in excess of the Incoming Assets would be purchased by Merro Pharmaceutical by issuing shares to all shareholders of Guanghui Limited based on the respective shareholding percentages in Guanghui Limited. Meanwhile, the Listed Company applied supporting proceeds of RMB2,182 million to acquire 16.67% equity interests in All Trust Leasing Company Limited*(汇通信诚租赁有限公司). Therefore, the Company’s shareholding percentage in All Trust Leasing Company Limited increased from 83.33% to 100%On 22 December 2014, the specific plan for the Transaction was approved at the first 2014 Extraordinary General Meeting of the Listed Company.

On 4 June 2015, Merro Pharmaceutical obtained the “Replies to the Approval of Major Asset Restructure of Merro Pharmaceutical Co.,Ltd. and Asset Acquisition and Fundraising through Share Issuance to Xinjiang Guanghui Industry Investment Group Co., Ltd and Others” (CSRC Permit [2015] No. 1123 Circular) issued by China Securities Regulatory Commission

2. Save for the above matters, in order to achieve expansion in the regions and brands, Guanghui Limited and its subsidiaries had conducted a series accquisitions at an aggregate consideration of RMB19,346,814,000 in the past twelve months. For details of such accquisitions set out as follows:

(1) the 100% equity interests of Jiangxi Transportation Vehicle Technical Service Limited*(江西运通汽车技术服务有限公司), including Jiangxi Transportation Vehicle Technical Service Limited and 40 wholly-own or holding subsidiaries of Shangrao Xinyuntong Vehicle Service Limited* (上饶新运通汽车技术服务有限公司), which diretly and indirectly controled by it and 25% equity interests of Jiangxi Jiahejia Insurance Sales and Service Co.,Ltd* (江西佳和佳汽车保险销售服务有限责任公司) ;

(2) the 100% equity interests of Xuzhou Hupeng Yadi Auto Sales Service Limited*(徐州沪彭雅迪汽车销售服务有限公司), Xuzhou Hupeng Zhongda Auto Sales Service Limited*(徐州沪彭众达汽车销售服务有限公司) and Xuzhou Hupeng Glory and Prosperity Auto Sales Service Limited*(徐州沪彭荣盛汽车销售服务有限公司);

(3) the 100% equity interests of Anhui Aoxiang Auto Sales Service Limited*(安徽奥祥汽车销售服务有限公司), Hefei Eurasia Auto Service Limited*(合肥欧亚汽车服务有限公司) and Liu An Ao Tong Auto Sales Service Limited* (六安奥通汽车销售服务有限公司);

(4) the 95% equity interests of Beijing Global Hengtong Auto Limited*(北京寰宇恒通汽车有限公司);

(5) the 100% equity interests of Yunnan Yunqi Auto Sales Service Limited*(云南云汽汽车销售服务有限公司),Yunnan Di Rui Auto Trading Limited* (云南迪瑞汽车贸易有限公司) and Yunnan Yiqi Industry & Trade Auto Sales & Service Co., Ltd.* (云南一汽工贸汽车销售服务有限公司);

(6) the 100% equity interests of Xinjiang Taixiang Auto Trade Limited*(新疆永泰祥车业贸易有限责任公司) and Urumqi Jiezhong Auto Trade Limited*(乌鲁木齐捷众汽车贸易有限责任公司);

(7) the 100% equity interests of Ningxia Zhongli Auto Sales Service Limited*(宁夏众立升汽车销售服务有限公司), Ningxia Auley Sino Auto Sales Service Limited*(宁夏奥立升诺得汽车销售服务有限公司), Ningxia Heyuan Auto Sales Service Limited*(宁夏和源汽车销售服务有限公司), Ningxia Jindakang Auto Sales Service Limited*(宁夏金达康汽车销售服务有限公司), Ningxia Jinfuyuan Auto Sales Service Limited*(宁夏金富源汽车销售服务有限公司) and Ningxia Hezhong Imported Auto Sales Serivce Limited*(宁夏和众进口汽车销售服务有限公司);

(8) the 52% equity interests of Sichuan Dazhou Rongyuan Auto Sales Service Limited*(四川达州蓉源汽车销售服务有限公司);

(9) the 100% equity interests of Bengbu Huacheng Auto Sales and Service Limited*(蚌埠市华诚轿车销售服务有限公司);

(10) the 100% equity interests of Hebei Lianrun Meidi Auto Trade Limited*(河北联润美迪汽车贸易有限公司);

(11) the 100% equity interests of Xinjiang Xinxu Auto Trade Limited*(新疆新旭汽车贸易有限公司);

(12) the 100% equity interests of Inner Mongolia Aojie Auto Sales Limited *(内蒙古奥捷汽车销售有限公司), Inner Mongolia Xinaojie Auto Sales and Service Limited (内蒙古新奥捷汽车销售服务有限公司) and Inner Mongolia Aojiezhixing Auto Sales and Service Limited (内蒙古奥捷之星汽车销售服务有限公司), respectively;

(13) the 100% equity interests of Wei Fang Xuan Wu Toyota Auto Sales And Service Limited*(潍坊玄武丰田汽车销售服务有限公司),Shou Guang Xuan Wu Toyota Auto Sales And Service Limited* (寿光玄武丰田汽车销售服务有限公司), Wei Fang Xinda Auto Trading Limited*(潍坊市鑫达汽车贸易有限公司), and Anqiu Guangli Auto Trading Limited*(安丘广利汽车贸易有限公司);

(14) the 100% equity interests of Qing Nong Jituan Qing Hai San Jiang Yuan Auto Trading Limited* (青农集团青海三江源汽车贸易有限公司) and Beijing Huanyu Hengtong Old Automobile Agent Limited*(北京寰宇恒通旧机动车经纪有限公司);

(15) the 100% equity interests of 13 companies, including Guizhou Huayue Auto Trading Service Limited*(贵州华跃汽车贸易服务有限公司)、Guizhou Huatong Huate Auto Trading Service Limited*(贵州华通华特汽车贸易服务有限公司) and Guizhou Huatong Zhongyuan Auto Trading Service Limited* (贵州华通众源汽车贸易服务有限公司).

(16) the 100% equity interests of Ningxia Yihai Auto Trading Service Limited* (宁夏怡海汽车销售服务有限公司).

3. Apart from the aforesaid, Guanghui Limited and its subsidiaries disposed the 100% equity interest in Hebei Zhongtan Auto Trade Limited* (河北众坛汽车贸易有限公司) for a consideration of RMB19,904,200 in the recent twelve months.

III. CASH DIVIDEND POLICIES OF THE LISTED COMPANY FOLLOWING THE TRANSACTION

Pursuant to the relevant requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" (《关于进一步落实上市公司现金分红有关事项的通知》) issued by the CSRC, the resolutions on the amendments to the terms of the Articles of Association of the Company in relation to profit distribution were considered and passed at the fourth meeting of the fifth session of the Board on 11 April 2013; on 25 June 2013, the Company held the 2012 Annual General Meeting to consider and pass the amended Articles of Association.

Pursuant to the relevant requirements of the "Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies" (《上市公司监管指引第 3 号—上市公司现金分红》) issued by the CSRC, the resolutions on the amendments to the terms of the Articles of Association of the Company in relation to bonus distribution were considered and passed at the eighth meeting of the fifth session of the Board on 5 December 2014; on 22 December 2014, the Company held the 2014 Extraordinary General Meeting to consider and pass the amended Articles of Association. The amended terms regarding the profit distribution policy of the Company are as follows:

1. Methods of profit distribution

The Company may distribute profits by way of cash, shares or combination of both or other methods permitted by laws, and shall first use cash dividend as the method of profit distribution. In principle, the Company may either distribute profits annually or distribute interim profits according to actual profits. If a shareholder illegally misappropriates the funds of the Company, the Company may deduct the cash dividends to be distributed to the shareholder to repay the funds misappropriated by him.

2. Decision-making procedures and mechanism for profit distribution within the Company

(1) The board formulates the profit distribution scheme based on the profit and funding requirements of the Company; formulation of such specific schemes as the profit distribution scheme shall require careful study and discussion of the timing, conditions and the lowest percentage for profit distribution, adjustment conditions, and other decision-making procedures, with a statement of opinions issued by the independent directors; in case the Company reports profits for the year but the Board does not formulate the cash profit distribution scheme, the Company shall disclose such information in details in the report for the year whereby explaining the causes of the failure to distribute cash dividend as well as the use of such undistributed cash dividends as reserved for the Company, with independent opinions issued by the independent directors.

(2) The profit distribution scheme considered and passed by the Board should be submitted to the general meeting of the Company for consideration, then the general meeting should fully hear the opinions and requests of medium and minority shareholders and timely reply to them as to the issues they concern though the website of the Company, public mailbox or visit reception or other channels when considering the specific profit distribution scheme.

(3) If the Company needs to adjust the profit distribution policy according to the production and operation, investment planning or long-term development requirements or due to the material change of the external operational environment or its own operational conditions, the Board should formulate an adjusted profit distribution policy and elaborate and explain the reasons therefor in the resolutions to the general meeting, and the independent directors should express their independent opinions in this regard. The adjusted profit distribution policy shall not breach the requirements of the CSRC and the stock exchange; the resolutions regarding the adjusted profit distribution policy should be submitted to by the General Meeting for consideration and approval after the consideration by the Board of Supervisors and the Board; if the cash dividend policy is to be adjusted or changed, it shall be considered and approved by the special resolutions at the general meeting.

(4) After the determination by the general meeting of the Company in respect of the profit distribution scheme, the Board of the Company shall complete the distribution matters regarding the dividends (or shares) within two months after the convening of that general meeting.

3. Conditions for and specific percentage of cash dividends

If there is no material investment plan or if there occur such matters as substantial cash expenditures, to the extent that the normal operation of the Company is not affected and the profits and accumulative undistributed profits of the Company for that year are positive, the amount of the profits distributed accumulatively in cash in the latest three years shall not be less than 30% of the annual average distributable profits achieved for the latest three years.

The board of the Company should take into account the characteristics and development stage of the industry where the Company is located, the operational model and profitability of the Company, whether there are substantial capital expenditure arrangements and other factors in formulating a differential cash dividend policy according to the following circumstances:

(1) if the development stage of the Company is mature and there are no substantial capital expenditure arrangements, when distributing profits, the minimum amount of cash dividends should reach 80% of that profit distribution;

(2) if the development stage of the Company is mature and there are substantial capital expenditure arrangements, when distributing profits, the minimum amount of cash dividends should reach 40% of that profit distribution;

(3) if the development stage of the Company is growth-oriented and there are substantial capital expenditure arrangements, when distributing profits, the minimum amount of cash dividends should reach 20% of that profit distribution.

If the development stage of the Company is difficult to distinguish and there are substantial capital expenditure arrangements, it may operate according to the foregoing requirements.

Upon completion of the Major Asset Restructuring, Baoxin Auto will become the controlling subsidiary of the Listed Company, and its dividend allocation policy will be implemented by reference to the dividend distribution policy of the Listed Company. The Company will continue to improve the profit distribution system of the Company in accordance with the requirements of the CSRC, the Shanghai Stock Exchange and relevant laws and regulations.

IV. INTERNAL INVESTIGATION INTO TRADING IN THE SHARES OF THE COMPANY BY RELATED PARTIES

(I) Movements in the share price of the Company prior to continuous suspension

Due to preparation of a significant matter, trading in the shares of the Company was suspended with effect from 14 September 2015. The closing price of the shares of the Company on the last trading day prior to suspension (i.e. 11 September 2015) was RMB17.46. The closing price of the shares of the Company on the 21st trading day prior to suspension (i.e. 12 August 2015) was RMB18.20. Within these twenty trading days, the closing price of the Company's shares recorded a cumulative change of -4.07%, while the Shanghai Composite Index and CSI All Share Retail Index registered an overall decrease of 17.65% and 19.29%, respectively, for the same period. In accordance with the relevant requirements under Section 5 of "A Circular on Regulations on Information Disclosure of Listed Companies and Behaviors of Relevant Parties"（《关于规范上市公司信息披露及相关各方行为的通知》）(Zheng Jian Gong Si Zi [2007] No. 128), excluding the market factors and the industry-specific segment factors, the cumulative change in the Company's share price did not exceed 20% for the last 20 trading days prior to suspension. Therefore, there were no unusual movements in the share price of the Company.

(II) Internal investigation into trading in the shares of the Company by related parties

1. Findings of internal investigation into trading in the shares of the Company by related parties during the period udner investigation

CGA has carried out an internal investigation into trading in its shares by the parties to the Transaction and the persons who have access to information on the Transaction by virtue of working at relevant intermediaries engaged in the Transaction and their respective immediate family members ("Relevant Persons") within the 6 months prior to the trading suspension pending announcement of the major assets restructuring and up to the date of such suspension (i.e. 14 March 2015 to 14 September 2015). According to the results of the internal investigation and the certificate of changes in shareholdings and trading information issued by China Securities Depository and Clearing Corporation Limited Shanghai Branch, trading in the shares of the Company by the Relevant Persons during the relevant period are set out below:
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(1) Mrs. Hong Yin, spouse of Mr. Meng Zhipeng (Director and CEO of CGA) disposed 3,000 shares as of 19 March 2015, but purchased 11,000 shares and 12,100 shares as of 25 June 2015 and 26 June 2015, respectively before disposing 23,100 shares as of 3 July 2015. Currently, she does not hold any shares in CGA.

(2) Ms. Meng Hong Xiaoxuan, daughter of Mr. Meng Zhipeng (Director and CEO of CGA) disposed 3,000 shares, 1,500 shares and 1,500 shares as of 24 March 2015, 25 March 2015 and 31 March 2015, respectively, but purchased 3,400 shares as of 26 June 2015 before disposing 3,400 shares as of 3 July 2015. Currently, she does not hold any shares in CGA.

(3) Mrs. Lu Weina, spouse of Mr. Hou Lingchang (supervisor of CGA) purchased 1,000 shares as of 29 June 2015 and disposed 1,000 shares as of 30 June 2015. As of 1 July 2015 , she purchased 6,000 shares. As of 14 July 2015, she purchased 3,000 shares but disposed 3,000 shares. As of 15 July 2015, she disposed 6,000 shares. Currently, she does not hold any shares in CGA.

Save as and except for the persons as mentioned above, the Relevant Persons and organizations did not deal with shares of CGA through the stock exchange during the internal investigation period.

2. Dealing in shares of the Company by the Relevant Persons during the period under internal investigation

Findings of internal investigation conduted by the Company:

(1) Mr. Meng Zhipeng was appointed as a director of Guanghui Group, the controlling shareholder of CGA as of 30 June 2015, and as a director and the CEO of CGA as of 16 July 2015. Mrs. Hong Lei and Ms. Meng Hong Xiaoxuan (as spouse and daughter of Mr. Meng Zhipeng, respectively) dealt with shares in CGA during the period between the six months before the date of suspension in trading shares of CGA and the date of suspension due to the major asset restructuring, which took place before Mr. Meng Zhipeng assumed the directorship and CEO position at CGA. Upon Mr. Meng Zhipeng becoming a director and the CEO of CGA, he along with his immediate family members did not involve in trading of the shares of the Company.

Before Mr. Meng Zhipeng assumed directorship and CEO position at CGA, he was unaware of or did not know any inside information related to this Transaction, nor did he learn or possess the knowledge of any relevant inside information from others or accept any recommendation on dealing in shares of CGA. In addition, he never offered any inside information to any other person including Mrs. Hong Yin and Ms. Meng Hong Xiaoxuan (his spouse and daughter, respectively). Mrs. Hong Yin and Ms. Meng Hong Xiaoxuan, as spouse and daughter of Mr. Meng Zhipeng, never learnt from Mr. Meng Zhipeng or other persons about any inside information related to the relevant matters. Their dealing in shares of CGA was based on independent judgment on the information available from the secondary market. Their investment decision was based on the public available market information and individual judgments, so there was no inside information trading.

(2) Mr. Hou Lingchang was the members of the sixth session of the Board of CGA. Before his diretorship of the sixth session of the Board on 16 July 2015, Mr. Hou Lingchang was unaware of or did not know any inside information related to this Transaction, nor did he learn or possess the knowledge of any relevant inside information from others or accept any recommendation on dealing in shares of CGA. In addition, he never offered any inside information to any other person including Mrs. Lu Weina (his spouse). Mrs. Lu Weina, as spouse of Mr. Hou Lingchang, never learnt from Mr. Hou Lingchang or other persons about any inside information related to the relevant matters. Mrs. Lu Weina's dealing in shares of CGA was based on independent judgment on the information available from the secondary market. Her investment decision was based on the public available market information and individual judgments, so there was no inside information trading.

In conclusion, the dealings in shares in the Company by the aforesaid persons were based on the self-made judgments on the secondary market, without exploiting inside information for trading activities. The dealings in shares of the Company did not constitute inside dealing, and were independent actions irrelevant to this Restructuring.

V OTHER IMPORTANT INFORMATION

This report provides true disclosure of all relevant information pertaining to the Transaction under the relevant requirements. Save as and except for the information disclosed herein, there is no other notifiable information that is not disclosed.

SECTION XIV CONCLUSIVE OPINIONS ON THE TRANSACTION BY INDEPENDENT DIRECTORS, LEGAL ADVISER AND FINANCIAL ADVISERS

I. OPINIONS OF INDEPENDENT DIRECTORS

The independent directors of the Company express their opinions as below:

"1. The Company proposes to, subject to the satisfaction or where applicable, waiver of the pre-conditions, make (though China Grand Automotive Services (Hong Kong) Limited (the "Offeror"), an indirect wholly-owned subsidiary of CGA) a pre-conditional voluntary cash partial offer to acquire from the qualifying shareholders of Baoxin Auto Group Limited (the "Target Company" or "Baoxin Auto") (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) a maximum of 1,917,983,571 shares (representing 75% of the total issued shares of Baoxin Auto as at the date of the Offers Announcement (as defined below)) or such higher number of shares (representing 75% of the shares in issue as at the Final Closing Date as set out in the Offers Announcement) (the "Partial Offer"). In addition, the Offeror will extend an appropriate offer to the Optionholders of Baoxin Auto to cancel up to 11,662,500 outstanding Share Options (representing 75% of all the outstanding Share Options as at the date of the Offers Announcement) (the "Option Offer", which togethter with the Partial Offer", referred to as the "Major Assets Acquisition", "Transaction" or "Offers"). The listing status of Baoxin Auto will not be impacted upon the completion of the Transaction. The consideration for the Transaction will be settled in cash at the Offer Price of HK$5.99 for each share of Baoxin Auto under the Partial Offer and HK$0.266 for each Share Option under the Option Offer. There is no connected relationship between the Counterparties of the Transaction and the Listed Company or its de facto controller, directors, supervisors, senior management or any shareholder holding 5% or more of the shares. As such, the Transaction does not constitute a connected transaction.

2. Relevant resolutions in respect of the Marjor Asset Acquisition have been considered and passed at the fifth meeting of the sixth session of the Board of the Company. The convening and holding procedure, voting procedure and methods are in compliance with relevant laws, regulations, regulatory documents and the Articles of Association, and there is no circumstances which would impair the interests of the Listed Company or its shareholders, especially the small and medium investors.

3. The plan of the Transaction and each agreement entered into among the parties to the Transaction in respect of the Major Assets Acquisition are in compliance with the Company Law of the PRC, The Securities Law of the PRC, the Measures for the Administration of Major Asset Restructuring of Listed Companies as well as other relevant laws and regulations and the regulatory documents issued by the CSRC, and the plan of the Transaction is viable in practice.

4. The Valuer as appointed by the Company through a proper selection process possesses the qualifications in securities business. None of the Valuer and its responsible officers has any interested relationship with the Company, the Counterparties, the Target Company or other relevant parties to the Transaction, nor do they have any prejudice against any of the relevant parties. As such, the Valuer is fully independent.

5. The assumptions of the valuation in relation to the valuation report involved in the Major Asset Acqusition of the Company were made in accordance with relevant laws, regulations, and requirements as stipulated by the government, following the practices or standards generally accepted in the market, and in line with the actual conditions of the Target Company. Therefore, the assumptions of such valuation are rational.

6. The analytical valuation principles, the selected comparable companies, the value ratios and other important parameters adopted in the valuation report involved in the Major Assets Acquisition of the Company are in line with the actual conditions of the Target Company, the basis and conclusions of the valuation are both reasonable, and the valuation approaches are in line with the valuation purpose in terms of relevance. The Transaction is priced in a fair manner without any impairment of the interests of the Listed Company and its shareholders.

7. The Major Asset Acquisition is conductive to enhancing the competitiveness of the Company and the sustainable long-term development of the Company, which is in line with the interests of the Company and its shareholders as a whole without impairment of the interests of minority shareholders.

In summary, relevant matters in respect of the Major Assets Acquisition and the overall arrangement are in compliance with the requirements of relevant laws, regulations and regulatory documents of the PRC. We agree to the relevant resolutions in relation to the Major Assets Acquisition and agree that the Board put forward the same to the shareholders' general meeting for consideration. "

II. OPINIONS OF THE LEGAL ADVISER

The Company appointed Haiwen & Partners to be its Legal Adviser for the Transaction. As at 11 December 2015, Haiwen & Partners produced a letter of legal opinions, whereby containing:

"The contents of the proposal for the Transaction are in compliance with the Restructuring Measures and other relevant laws and regulations: all the parties to the Transaction possess appropriate qualifications to engage in this Transaction; upon obtaining all the approvals and authorizations set out in the paragraph headed "2.2 Approvals and authorizations yet to be obtained" under the section headed "II. Approvals and authorizations required for the Transaction" in the legal opinion letter, there would be no material legal impediments in implementing the Transaction; as at the date of the letter of legal opinions, CGA has fulfilled all its statutory obligations of disclosure and reporting up to this stage, and will have to continue fulfilling its obligations of information disclosure in accordance with the Restructuring Measures, Listing Rules and other relevant laws and regulations; all intermediaries involved in the Transaction possess legitimate professional qualifications."

III. OPINIONS OF INDEPENDENT FINANCIAL ADVISERS

The Company appointed Southwest Securities Company Ltd. and China Securities Co., Ltd. as the Independent Financial Advisers on the Transaction. According to the Independent Financial Advisers' reports produced by Southwest Securities and China Securities, below sets out the summarized opinions of the Transaction:

"The Transaction complies with the relevant requirements of laws and regulations such as the Company Law of the Peoples Republic of China and the Securities Law of the Peoples Republic of China, with due procedures having been fulfilled and necessary information disclosure having been made in accordance with relevant laws and regulations. The Transaction has been considered approved at the fifth meeting of the six session of the board of CGA, and the Independent Directors have produced their independent opinions on the Transaction. The Transaction will be conducted by way of an offer made in an open market, and the transaction price is objective and fair. The Transaction has an aim to enhance the core competence of the Company, and improving the sustainability of the Company. The Transaction also fully takes into full consideration the protection of the interests of the minority shareholders, which is feasible and practicable. Regarding the potential risks of the Transaction, CGA has already made full and detailed disclosure, which enables the shareholders and the investors to make objective judgments in respect of the Transaction."

SECTION XV RELEVANT INTERMEDIARY INSTITUTIONS

I. INDEPENDENT FINANCIAL ADVISERS

Name:	Southwest Securities Company Ltd.
Address:	4/F, Tower A, Corporate Square, 35 Finance Street, Xicheng District, Beijing
Legal representative:	Yu Weijia
Telephone:	010-57631234
Fax:	010-88091826
Contact persons:	Wang Ziwen, Zhu Zhenggui, Shi Changhao

Name:	China Securities Co., Ltd.
Address:	Unit 2203, North Tower, Shanghai Stock Exchange Building, 528 South Pudong Road, Shanghai
Legal representative:	Wang Changqing
Telephone:	021-68801564
Fax:	021-68801551
Contact persons:	Pan Feng, Ai Hua, Li Huayun, Fan Lu

II. LEGAL ADVISER

Name:	Haiwen & Partners
Address:	Unit 2605, Tower I, Shanghai Kerry Center, 1515 West Nanjing Road, Shanghai
Responsible officer:	Zhang Jiping
Telephone:	021-60435000
Fax:	021-52985030
Contact person(s):	Hu Ji and Zheng Yan

III. VALUER OF TARGET ASSETS

Name:	Orient Appraisal Co., Ltd.
Address:	19/F, 889 West Yan'an Road, Changning District, Shanghai
Legal representative:	Wang Xiaomin
Telephone:	021-52402166
Fax:	021-62252086
Contact persons:	Sun Yelin, and Wang Xin

IV. FINANCIAL AUDITORS/REVIEWING INSTITUTION

Name:	Ernst & Young Hua Ming LLP
Address:	Level 16, Ernst & Young Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
Legal representative:	Mao Anning
Telephone:	010- 58153000
Contact persons:	Fei Fan, Zhu Qiqi
Name:	Ernst & Young
Address:	26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Telephone:	+852 2846 9888
Fax:	+852 2868 4432

V. FINANCIAL ADVISER TO THE OFFEROR

Name:	CMB International Capital Limited
Address:	Units 1803-4, 18/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
Telephone:	+852-37618888
Fax:	+852-37618788
Contact persons:	Zhang Qiwen, Bu Yi

VI. HONG KONG LEGAL ADVISER TO THE OFFEROR

Name:	Kirkland & Ellis
Address:	26th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong
Telephone:	+852-37613300
Fax:	+852-37613301
Contact persons:	Nicholas Norris

SECTION XVI STATEMENTS OF DIRECTORS AND RELEVANT INTERMEDIARY INSTITUTIONS

I. STATEMENT OF THE DIRECTORS

II. STATEMENT OF THE LEGAL ADVISER

III. STATEMENT OF THE VALUER

IV. STATEMENT OF THE FINANCIAL AUDITORS

V. STATEMENTS OF THE INDEPENDENT FINANCIAL ADVISERS (I)

VI. STATEMENTS OF THE INDEPENDENT FINANCIAL ADVISERS (II)

I. STATEMENTS OF THE DIRECTORS

The directors of the Company undertake and guarantee the truthfulness, accuracy, and completeness of the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd." and the application documents in relation to such major asset acquisition, which are free from any false statement, misleading representations, or material omission, and individually and collectively undertake to accept liabilities for the legitimacy, truthfulness, and completeness of the information as provided.

Signed by:

Li Jianping	Meng Zhipeng	Tang Yongqi
Kong Lingjiang	Xue Weidong	Shang Yong
Shen Jinjun	Cheng Xiaoming	Jin Qinglu

China Grand Automotive Services, Co., Ltd
22 December 2015

II. STATEMENT OF THE LEGAL ADVISER

Our firm and our practicing lawyers agree to the references to the letter of legal opinions in the “Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd”, the references to which have been reviewed by our firm and our practicing lawyer(s), and confirm that the “Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd” and its summary does not contain any false statement, misleading representations, or material omissions due to the abovementioned contents as referenced, and accept the corresponding liabilities for the truthfulness, accuracy, and completeness of this Report.

Practicing lawyer: ______________________
Hu Ji

Practicing lawyer: ______________________
Zheng Yan

Responsible officer: ______________________
Zhang Jiping

Haiwen & Partners
22 December 2015

III. STATEMENT OF THE VALUER

Our firm and our practicing officer(s) agree to the references to our valuation report in the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd" and its summary, the references to which have been reviewed by our firm and our practicing officer(s), and confirm that the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd" and its summary does not contain any false statement, misleading representations, or material omissions due to the abovementioned contents as referenced, and accept the corresponding liabilities for the truthfulness, accuracy, and completeness of this Report.

Valuer: ____________________

Sun Yelin

Valuer: ____________________

Wang Xin

Legal representative: ____________________

Wang Xiaomin

Orient Appraisal Co., Ltd.

22 December 2015

IV. STATEMENT OF THE FINANCIAL AUDITORS

Our firm and our signatory accountants have read the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd" and its summary (hereinafter referred to as "Major Asset Acquisition Report"), and confirmed the references to our verification report on the explanations as prepared by the management of China Grand Automotive Services, Co., Ltd on the differences between the critical accounting standards (as adopted in the financial statements of Baoxin Auto Group Limited and its subsidiaries for the years of 2013 and 2014 and the nine months ended 30 September 2015 prepared under Hong Kong Financial Reporting Standards) and the PRC Accounting Standards for Enterprises (including the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance of the PRC on 15 February 2016 and the specific accounting standards and other relevant regulations subsequently promulgated by it) are consistent with the contents of the verification report (reference number: Ernst & Young Hua Ming (2015) Zhuan Zi No. 60885384_B01) as produced by our firm.

Our firm and the signatory accountants do not hold any disagreement to the references to the contents of the aforesaid verification report as produced by our firm for inclusion into the Major Asset Acquisition Report, and confirm that the complete and accurate references in the Major Asset Acquisition Report to the aforesaid verification report issued by us do not result in any corresponding false statement, misleading representations, or material omissions, and accept, in accordance with relevant laws and regulations, the corresponding liabilities for the truthfulness, accuracy, and completeness of the aforesaid verification report issued by us.

Our statement is solely reserved to China Grand Automotive Services, Co., Ltd for the purposes of inclusion into the Major Asset Acquisition Report with respect to this major asset acquisition. Without any prior written consent, it shall not be used for other purposes.

Practicing accountant: ____________________
Fei Fan

Practicing accountant: ____________________
Zhu Qiqi

Responsible officer: ____________________
Mao Anning

Ernst & Young Hua Ming LLP
22 December 2015

V. STATEMENTS OF THE INDEPENDENT FINANCIAL ADVISERS (I)

Our Company and our practicing officer(s) agree to the references to the Independent Financial Adviser Report as produced by our Company in the “Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd” and its summary, the references to which have been reviewed by our Company and our practicing officer(s), and confirm that the “Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd” and its summary does not contain any false statement, misleading representations, or material omissions due to the abovementioned contents as referenced, and accept the corresponding liabilities for the truthfulness, accuracy, and completeness of this Report.

Project Manager:

Wang Ziwen

Zhu Zhenggui

Project Coordinator:

Shi Changhao

Legal representative:

Yu Weijia

Southwest Securities Company Ltd.
22 December 2015

V. STATEMENTS OF THE INDEPENDENT FINANCIAL ADVISERS (II)

Our Company and our practicing officer(s) agree to the references to the Independent Financial Adviser Report as produced by our Company in the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd" and its summary, the references to which have been reviewed by our Company and our practicing officer(s), and confirm that the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd" and its summary does not contain any false statement, misleading representations, or material omissions due to the abovementioned contents as referenced, and accept the corresponding liabilities for the truthfulness, accuracy, and completeness of this Report.

Project Manager:

Pan Feng

Ai Hua

Project Coordinator:

Li Huayun

Legal representative (or authorized representative):

Wang Changqing

China Securities Co., Ltd.
22 December 2015

SECTION XVII DOCUMENTS AVAILABLE FOR INSPECTION

I. DOCUMENTS AVAILABLE FOR INSPECTION

1. The resolutions of the board meeting of CGA regarding the Transaction;

2. Opinions of the independent directors of CGA regarding the Transaction;

3. The resolutions of the meeting of the Supervisory Board of CGA regarding the Transaction;

4. The announcements issued by CGA, CGA (Hong Kong) and Baoxin Auto in relatin to the Offers under the Transaction pursuant to Rule 3.5 of the Code and other relevant Hong Kong laws;

5. The Irrevocable Undertaking Agreement entered into between CGA, CGA (Hong Kong) and Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid

6. The Deed of Non-Competition executed by CGA, CGA (Hong Kong), Mr. Yang Aihua, Baoxin Investment and Auspicious Splendid;

7. The Irrevocable Undertaking entered into between Guanghui Group and Baoxin Auto;

8. The Earnest Money Agreement entered into between CGA and Baoxin Auto;

9. The financial statements of the Target Company for the years of 2013 and 2014 and the nine months ended 30 September 2015 prepared by the Target Company under the Hong Kong accounting standards, as well as the audit report for the years of 2013 and 2014 and the review report for the period from January to September 2015 issued by Ernst & Young regarding Baoxin Auto and their translated versions;

10. The explanations on and the discrepancy table with respect to the differences of accounting policies of the Target Company for the years of 2013 and 2014 and the period from January to September 2015 as prepared by China Grand Automotive Services, Co., Ltd, and the " Verification Report" (Ernst & Young Hua Ming (2015) Zhuan Zi No. 60885384_B01) issued by Ernst & Young Hua Ming in relation to the discrepancies in the accounting standards of the Target Company for 2013 and 2014 and the period from January to September 2015;

11. Valuation Report issued by Orient Appraisal;

12. Letter of legal opinions issued by Haiwen & Partners;

13. The Letters of Legal Opinion issued by Walkers in respect of the Target Company, Baoxin Investement, Auspicious Splendid, Jumbo Create Investment and Wilfred Speedy Investment;

14. Independent financial adviser's reports produced by Southwest Securities and China Securities.

II. VENUE FOR INSPECTION

Investors may access the documents for inspection at the following venue from 9:30 to 11:30 in the morning and 2:00 to 5:00 in the afternoon throughout weekdays commencing from the date of this Report and ending on the completion of this major asset acquisition.

1. China Grand Automotive Services, Co., Ltd

Address: Building 19, 1388 Zhangdong Road, Pudong New District, Shanghai

Telephone: 021-61690533

Fax: 021-61341259

Contact person: Wang Ben

2. Southwest Securities Company Ltd.

Address: 4/F, Tower A, Corporate Square, 35 Finance Street, Xicheng District, Beijing

Telephone: 010-57631234

Fax: 010-88091826

Contact persons: Wang Ziwen, Zhu Zhenggui, and Shi Changhao

3. China Securities Co., Ltd.

Address: Unit 2203, North Tower, Shanghai Stock Exchange Building, 528 South Pudong Road, Shanghai

Telephone: 021-68801564

Fax: 021-68801551

Contact persons: Pan Feng, Ai Hua, Li Huayun, Fan Lu and Liao Ling

4. Designated newspapers for information disclosure: Shanghai Securities News, and China Securities Journal

5. Designated website for information disclosure: www.sse.com.cn

(This page is purposefully reserved blank as the page of signing the "Major Asset Acquisition Report of China Grand Automotive Services, Co., Ltd")

Legal representative:： ____________________
Li Jianping

China Grand Automotive Services, Co., Ltd
22 December 2015