

This is an English convenience translation from the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

July 23, 2008

To:  
The Securities Authority  
via MAGNA

To:  
The Tel Aviv Stock Exchange Ltd.  
via MAGNA

Dear Sir/Madam,

Re: **Immediate Report**

The Company hereby notifies that it has come to its knowledge that a lawsuit was filed against Chery Automobile Co., Ltd. (hereinafter: "**Chery**") and executives of Chery, and against Chery Quantum Auto Co. Ltd., a joint venture for the manufacturing of automobiles in the PRC, owned by Chery (55%) and by Quantum (2007) LLC (45%), a fully owned subsidiary of the Company (hereinafter: "**Quantum**"), and against the Company and Quantum. The aforesaid lawsuit was filed in the United States by a US company which held negotiations with Chery for the establishment of a joint venture for the manufacturing of automobiles in the PRC and for their distribution in the United States. In the framework of the lawsuit the plaintiff argues for damages allegedly caused to it, which include losses of a total of approx. USD26 million, and in addition the plaintiff argues for the loss of future profits from its expected share in the venture, of a total of USD1.1 billion during the first five years of its operation. Considering the fact that the information the Company holds is partial, the Company shall have the possibility to address the lawsuit in further detail after the lawsuit will be delivered to the Company and transferred for review by its legal counsels in the United States.

Sincerely,

Noga Yatziv