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OVERVIEW

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

REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY AND OUR BUSINESS

The PRC automobile industry

On 12 May 2004, National Development and Reform Commission (“NDRC”) promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (“Policy”) which became effective on 21 May 2004.

The Policy contains provisions relating to, among other things, the PRC automobile industry’s technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, customs administration, and automobile consumption. One of the Policy’s stated aims is to develop the PRC automobile industry into a strong pillar of the PRC national economy before 2010.

According to the Provisional Measures on the Administration of the Verification of Foreign-invested Projects (外商投資項目核准暫行管理辦法) promulgated by NDRC on 9 October 2004, which applies to the verification of Sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises, domestic enterprises acquired by foreign investors, increase in registered capital of foreign-invested enterprises and other types of foreign-invested projects, projects with total investment below US\$100 million that are within the encouraged or permitted categories of foreign investment, or projects with total investment below US\$50 million that are within the restricted category of foreign investment shall be subject to the verification of local NDRC authorities. Specifically, projects within the restricted category of foreign investment shall be verified by provincial NDRC authorities and no delegation of authority shall be allowed for these projects. Authorities in charge of land, urban planning, quality control, production safety supervision, industrial and commercial administration, customs, taxation and foreign exchange administration etc. shall not handle the formalities in respect of foreign-invested projects that have not passed the verification. King & Wood have advised that the Provisional Measures on the Administration of the Verification of Foreign invested Projects and the Decision of the State Council on Reforming the Investment System (國務院關於投資體制改革的決定) promulgated by the State Council on 16 July 2004 do not stipulate any penalty on foreign investment enterprises for not obtaining NDRC approvals nor provide any procedures of revoking any approvals/licenses obtained by those foreign investment enterprises prior to obtaining NDRC approvals. As at the Latest Practicable Date, King & Wood are not aware of any case where penalty was imposed and/or licenses/approvals were challenged and/or revoked for not obtaining NDRC approvals.

Our PRC legal advisers, King & Wood, have advised that all of the subsidiaries which are subject to the Provisional Measures on the Administration of the Verification of Foreign-invested Projects have already obtained NDRC approvals or waivers from obtaining such approvals from appropriate NDRC authorities.

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New automobile sales

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

The Measures recognize two categories of automobile distributors — general automobile distributors and automobile brand dealers. General automobile distributors are defined under the Measures as enterprises engaged in providing automobiles and spare parts. Automobile brand dealers are defined under the Measures as enterprises authorized by automobile suppliers to engage in automobile sales and services. Our PRC legal advisers, King & Wood, have confirmed that under the Measures, our Group is classified as an automobile brand dealer.

An automobile brand dealer must be a legal person, authorized by an automobile supplier to sell the supplier’s brand of automobiles. An automobile brand dealer must comply with the supplier’s requirements relating to the intellectual property rights associated with the automobile brand, such as trademarks, labels and store names, and is also subject to regulation by local municipal and commercial development authorities.

Automobile brand dealers must obtain operation permits and file registrations with the relevant local department of MOFCOM. Further, according to a notice issued by the SAIC on 10 November 2005, automobile brand dealers must also file registrations with SAIC prior to commencing business operations.

In addition, a foreign-invested automobile brand dealer is subject to relevant PRC laws, rules and regulations relating to foreign investment, including the Law on Sino-Foreign Equity Joint Ventures (中華人民共和國合資經營企業法) promulgated by the Standing Committee of the National People’s Congress on 8 July 1979 as amended on 15 March 2001, the Regulations for the Implementation of the Law on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法實施條例) promulgated by the State Council on 20 September 1983 amended on 22 July 2001, and the 2007 Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) promulgated and amended by the NDRC of PRC and MOFCOM of PRC on 31 October 2007 which became effective on 1 December 2007.

Automobile maintenance and repair services

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

Under the Automobile Repair Regulations, an operator must have suitable facilities, equipment and technical personnel in order to operate an automobile maintenance and repair business. In addition, an operator must implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper automobile repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

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Road Transport Licenses

Under the Road Transport Regulations (中華人民共和國道路運輸條例) promulgated by the State Council on 30 April 2004 which became effective on 1 July 2004, prior to commencing an automobile maintenance and repair business or automobile leasing business, an operator must file an application with the local department of the Ministry of Transport and obtain a Road Transport License to provide automobile maintenance and repair services or automobile leasing business. Violation of the Road Transport Regulations may result in fines and suspension of business operations, and criminal liability may be imposed upon a person held directly responsible, with a sentence of imprisonment for a term which may extend to five years, criminal detention, and/or fines of between one and five times the amount of the illegal gains.

As at the Latest Practicable Date, all of our subsidiaries which were engaged in providing automobile maintenance and repair services or automobile leasing business, had valid Road Transport Licenses or in the process of renewing Road Transport Licenses.

Our PRC legal advisers, King & Wood, have advised that for successful renewal of Road Transport License, the applicant shall: (a) have necessary site to repair automobiles; (b) possess necessary equipment, facilities and employees; (c) have adopted administrative rules on repairing automobiles; and (d) have adopted necessary environment protection measures.

According to our past experience, the time required for renewing Road Transport License varies depending on the location of the subsidiaries as well as the location of the local bureaus involved.

Project Initiation Approvals

Our automobile maintenance and repair business and automobile leasing business is also subject to the Regulations on the Administration of Foreign-invested Road Transport Services (外商投資道路運輸業管理規定) (“**Foreign-invested Road Transport Services Regulations**”) promulgated by the Ministry of Transport and MOFCOM on 20 November 2001 which became effective on 20 November 2001. According to its Article 5, the foreign invested road transport services shall comply with the policies on road transport development and the requirements for enterprise qualification formulated by the department in charge of transportation under the State Council, and shall meet the requirements of the development planning of road transport services formulated by the department in charge of transportation of the place where the foreign-funded road transport enterprise to be established is located. In addition, all investors shall invest with their self-owned assets and shall have good reputation.

Under the Foreign-invested Road Transport Services Regulations, a foreign-invested operator must obtain the approval of MOFCOM for its articles of association, and must submit its Certificate of Approval for Foreign-invested Enterprises and apply to the local department of the Ministry of Transport for a Project Initiation Approval for its automobile maintenance and repair business, prior to commencing business. Under existing applicable PRC laws, rules and regulations, all the application documents received by the local transport bureaus should be forwarded to the Ministry of Transport, which is the ultimate authority for the grant of Project Initiation Approvals, and a Project Initiation Approval should be granted by the Ministry of Transport prior to the issuance of a Road Transport License by the relevant local transport bureau.

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As at the Latest Practicable Date, except for one of our operating subsidiaries, Fuzhou Zhongsheng Toyota Services, all other operating subsidiaries which currently operate automobile maintenance and repair business in our Group have obtained proper Project Initiation Approvals. Fuzhou Zhongsheng Toyota Services has formally submitted its application in September 2009. Our Company expects that such Project Initiation Approval will be obtained prior to the end of March, 2010. Our PRC legal advisers, King & Wood, have advised that there is no substantial legal impediment for Fuzhou Zhongsheng Toyota Services to obtain the Project Initiation Approval as the local transport bureau has initially approved Fuzhou Zhongsheng Toyota Services' application and has transferred the relevant materials to the Ministry of Transport. Accordingly, the Group is unlikely to be exposed to any consequence of not obtaining the Project Initiation Approval. King & Wood have further advised that as the current Road Transport License of Fuzhou Zhongsheng Toyota Services was granted by the local transport bureau, and the local transport bureau has not challenged its validity when processing Fuzhou Zhongsheng Toyota Services' application for Project Initiation Approval. On this basis, King & Wood have advised that the Road Transport License of Fuzhou Zhongsheng Toyota Services is unlikely to be revoked by the relevant transport authorities following the expected granting of the Project Initiation Approval and Fuzhou Zhongsheng Toyota Service's Road Transport License is and will continue to be valid despite the Road Transport License was obtained prior to the granting of the Project Initiation Approval. The Company also undertakes that it will obtain the Project Initiation Approval, if required, for its 4S dealerships before they commence operation going forward.

According to our past experience, in respect of the time required for obtaining the Project Initiation Approval, it may take more than six months after making relevant application.

Used automobile sales

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

Under the Used Automobiles Measures, a used automobile dealer must provide a customer a written contract containing warranties relating to the quality of the used automobile, as well as offer arrangements for after-sales services. The Used Automobile Measures also provide for the establishment of a nationwide archival system to hold the records of used automobile dealers.

Used automobile dealers must obtain operation permits and file registrations with the relevant local department of MOFCOM.

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

Our PRC legal advisers, King & Wood, have advised us that a company in possession of all permits, certificates and approvals required under applicable PRC laws and regulations may concurrently engage in both new and used automobile sales businesses.

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Automobile leasing

The Measures for the Administration of Foreign-funded Lease Industries, promulgated by MOFCOM on 3 February 2005 which became effective on 5 March 2005, requires a foreign-invested automobile leasing company to have total foreign-invested assets of not less than US\$5 million. In addition, if the foreign-invested automobile leasing company is incorporated as a limited liability company, its operations shall not exceed 30 years.

Automobile insurance

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

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

Automobile loans

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

The Loans Measures provide that an automobile dealer may not obtain financing of a term exceeding one year, for the purchase of automobiles and/or spare parts. The automobile dealer’s balance sheet ratio, or the asset liability ratio, which equals to its indebtedness divided by total assets, must not exceed 80%, and it must have sufficient stable and lawful income or assets to repay both the principal and interest incurred on the loan.

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

COMPANY LAW

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

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

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

MERGERS AND ACQUISITIONS

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“**M&A Rules**”) promulgated by MOFCOM, CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, SAIC and SAFE on 8 August 2006 which became effective on 8 September 2006, govern, among other things, the purchase by foreign investors of equity interests in a domestic enterprise, the subscription by foreign investors to equity interests in a domestic enterprise, and the purchase and operation by foreign investors of the assets and business of a domestic enterprise.

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

As at the Latest Practicable Date, except for Mr. Li Guoqiang, all the other equity holders (whether direct or indirect) of the parent are not domestic PRC residents. Prior to the effective date of the M&A Rules, Mr. Li indirectly held interests in 12 domestic companies through several SPVs. Mr. Li filed his Registration Form of Overseas Investments Contributed by Domestic Individual Residents (the “**Registration Form**”) in respect of his interest in Zhongsheng Holdings and Hokuryo (Hong Kong) and other relevant offshore companies pursuant to Notice 75 and the Registration Form was recorded by the Dalian SAFE in March 2007. Please refer to the section entitled “Regulations-Foreign Exchange Controls”.

The restructuring of our Group commenced in 2007 and as part of the onshore restructuring, Zhongsheng Dalian, Dalian Xinshengrong and Dalian Yuzeng, which were domestic entities, were acquired by offshore companies Billion Great, Super Charm and Olympia Well, respectively. Please refer to the section entitled “Our History And Reorganization — Offshore Reorganization — Acquisitions of Domestic Companies” in this prospectus. The Three Acquisitions mentioned above were solely initiated and executed by Mr. Huang, a Hong Kong resident at the time of the relevant acquisitions.

During the Reorganization of our Group, Mr. Huang and Mr. Li jointly established Blue Natural in October 2007, which was owned as to 50% by Mr. Huang and 50% by Mr. Li. Blue Natural established Elegance Extreme in December 2007. In July 2009, General Atlantic acquired a total of 15% interest in Elegance Extreme and Blue Natural's interest in Elegance Extreme was then diluted to 85%. Mr. Huang injected his interests in Billion Great, Super Charm and Olympia Well (which wholly-owned Zhongsheng Dalian, Dalian Xinshengrong and Dalian Yuzeng, respectively) into Elegance Extreme as consideration. As a result, Mr. Huang's interest in Elegance Extreme was increased to 52.96% whereas

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Mr. Li's interest in Elegance Extreme was diluted to 32.04%. Please refer to the section entitled "Our History and Reorganization" in this prospectus. As part of the pre-listing reorganization, being the final step of the offshore reorganization of our Group, Elegance Extreme has entered into a restructuring agreement, pursuant to which its interest in Zhongsheng Holdings, Hokuryo (Hong Kong), Billion Great, Super Charm and Olympia Well was injected into our Company.

Accordingly, Mr. Li's offshore interests existed before the M&A Rules came into effect on 8 September 2006 and Mr. Li had not increased and will not increase his offshore interests actively after the M&A Rules became effective.

Based on the above, our PRC legal advisers, King & Wood, have advised that the M&A Rules do not apply to the listing of our Group and the approval of CSRC is not required.

Mr. Li has also completed the filing to update his SAFE Registration Form in relation to the changes in his offshore interests set out above on 25 December 2009.

PROPERTY LAW

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

The Administration of the Leasing of Urban Premises Procedures (城市房屋租賃管理辦法) ("**Leasing Procedures**"), promulgated by the Ministry of Construction on 9 May 1995, which became effective on 1 June 1995, provide that premises without title certificates may not be leased. Further, under the Urban Real Estate Administration Law (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress on 5 July 1994 which became effective on 1 January 1995 and as amended on 30 August 2007, a lease must be filed with the real estate administrative department of the Ministry of Construction. Although the PRC courts have previously ruled that failure to file a lease with the relevant PRC Government authorities does not in itself invalidate the lease, fines may be imposed by the real estate administrative department of the Ministry of Construction for such omission, under the Leasing Procedures.

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

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WHOLLY FOREIGN-OWNED ENTERPRISES

The Law on Wholly Foreign-Owned Enterprises (中國外資企業法) promulgated by the Standing Committee of the National People's Congress on 12 April 1986 which became effective on 12 April 1986, and as amended on 31 October 2001, governs the establishment, operation and management of foreign-owned enterprises.

SINO-FOREIGN JOINT VENTURES

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

FOREIGN INVESTMENT IN RESTRICTED INDUSTRIES

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

Prior to 2001, automobile distribution in China was subject to the 30 Dealerships Limitation. During China's accession to the World Trade Organization in 2001, China made a commitment to abolish the 30 Dealerships Limitation within five years of its accession⁽¹⁾. Accordingly, each of the 2004 Edition of the Catalogue, the Measures for the Implementation of the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法), and the Measures for the Administration on Foreign Investment in Commercial Sector《外商投資商業領域管理辦法》, provides that the 30 Dealerships Limitation would terminate on 11 December 2006. However, the 2007 Edition of the Catalogue included the 30 Dealerships Limitation. As such, there is uncertainty as to the interpretation of the current PRC legal position in relation to foreign investment in automobile dealership groups with 30 or more 4S dealerships in the PRC.

Our PRC legal advisers, King & Wood, have advised that the Accession to WTO Agreement is an international treaty which was approved at the 17th meeting of the Standing Committee of the 9th National People's Congress, and the approval of China's accession to the WTO was endorsed by the President of the PRC; whereas the 2007 Edition of the Catalogue was a domestic regulation approved by the relevant ministries and might be revised or interpreted by the relevant authority. Our PRC legal advisers, King & Wood, have advised that China's commitment to the WTO, which is an international treaty, should take precedence over domestic laws and regulations promulgated by the State Council or the relevant ministries or departments (including the 2007 Edition of the Catalogue). The competent officials of the relevant approving authority have confirmed, in response to the verbal consultations conducted by our Company and King & Wood, that the 30 Dealerships Limitation was no longer enforced since 11 December 2006 and they approve the establishment and/or acquisition of foreign invested automobile dealerships in accordance with the Measures for the Administration on Foreign

Note:

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

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Investment in Commercial Sector and the Measures for the Implementation of the Administration of Branded Automobile Sales (both of which provide that the 30 Dealerships Limitation would have been terminated on 11 December 2006).

King & Wood have further advised that our Group has submitted the applications for approval to the appropriate authorities in accordance with the thresholds set out in the Circular of MOFCOM on Delegating Matters Concerning the Examination and Approval of Foreign-invested Commercial Enterprises (關於下放外商投資商業企業審批事項的通知) and the Circular of MOFCOM on Further Improving the Work of Examination and Approval of Foreign Investment (商務部關於進一步改進外商投資審批工作的通知) promulgated by MOFCOM on 12 September 2008 and 5 March 2009 respectively, which provided that whether an individual application shall be handled by MOFCOM or its local counterparts depends on the size of the transaction. King & Wood have further advised that our Group has submitted all the relevant information and documents for approval in accordance with the requirements laid down in the laws and regulations governing the granting of the MOFCOM approvals and as at the Latest Practicable Date, our Group has obtained all the proper approvals from MOFCOM or its local counterparts for all our 4S dealerships regarding the acquisition or establishment of foreign invested automobile dealerships in the PRC, where applicable. Out of the 47 4S dealerships as of 31 December 2009, 27 4S dealerships have obtained approvals from MOFCOM and the remaining 4S dealerships have obtained approvals from the local counterparts of MOFCOM where required by the relevant rules and regulations. King & Wood have also advised that our 4S dealerships are not required to renew such approvals obtained from MOFCOM or its local counterparts.

FOREIGN EXCHANGE CONTROLS

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

The Implementation Rules of the Administrative Measures for Individual Foreign Exchange (個人外匯管理辦法實施細則) promulgated by SAFE on 5 January 2007 which became effective on 1 February 2007, requires PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to register with SAFE or a local SAFE department.

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular”) promulgated by SAFE on 21 October 2005 which became effective on 1 November 2005, and the implementing regulations in Notice 106 (國家外匯管理局關於《境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知) promulgated by

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SAFE on 29 May 2007 which became effective on 29 May 2007, require PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE's records within 30 days of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

Our PRC legal advisers, King & Wood, have advised that the provisions of the SAFE Circular are applicable to Mr. Li Guoqiang who is a PRC national. Mr. Li holds equity interests in companies operating 4S dealerships in the PRC via a number of offshore holding companies. On 28 March 2007, Mr. Li completed and filed the Registration Form of Overseas Investments Contributed by Domestic Individual Residents (“SAFE Registration Form”) with Dalian SAFE. Mr. Li has also completed the filing to update his SAFE Registration Form in relation to the changes in his offshore interests set out above on 25 December 2009. Our PRC legal advisers, King & Wood have advised that the procedures of registering the changes in Mr. Li's equity interests was completed.

Our PRC legal advisers, King & Wood, have advised that the provisions of the SAFE Circular are not applicable to Mr. Huang Yi as Mr. Huang is a Hong Kong resident based on its enquiries with Dalian SAFE.

FOREIGN EXCHANGE RATE

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

SHAREHOLDER LOANS

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

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DIVIDEND DISTRIBUTIONS

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

ENVIRONMENTAL PROTECTION

The Environmental Protection Law (環境保護法) promulgated on 26 December 1989 by the Standing Committee of the National People's Congress which became effective on 26 December 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is in turn responsible for the environmental protection work within their respective jurisdictions.

Air pollution

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

Water pollution

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

Noise pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法) promulgated by the Standing Committee of the National People's Congress on 29 October 1996 which became effective on 1 March 1997, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, renovation or expansion project which might

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cause environmental noise pollution must prepare and submit an environmental impact statement to the environmental protection department of the State Council for approval. Facilities for prevention and control of environmental noise pollution must be designed, approved by the environmental protection department of the State Council prior to commencement of the project, and built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or left idle without the approval of the environmental protection department of the State Council.

Construction projects

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the National People's Congress on 28 October 2002 which became effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council on 29 November 1998 which became effective on 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by the State Environmental Protection Administration of China on 27 December 2001 which became effective on 1 February 2002, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

Based on the confirmation letters issued by the relevant local environmental bureaus, our PRC legal advisers, King & Wood, have confirmed their opinion that all the operating entities of the Company have complied with environmental laws and obtained confirmation letters from the relevant local environmental bureau as at the Latest Practicable Date. Our PRC legal advisers, King & Wood, have advised that we are in full compliance with all relevant environmental laws, rules and regulations, have obtained all required permits and environmental approvals for our business and operations in the PRC, and as at the Latest Practicable Date, no incident of environmental pollution or administrative penalty has been imposed on our Group for violation of environmental rules and regulations during the Track Record Period.

AUTOMOBILE RECALLS

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

PRODUCT QUALITY

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

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

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

CONSUMER PROTECTION

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

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

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

In addition, Article 45 provides that businesses must be responsible for the repair, replacement or return of goods if such goods are guaranteed by PRC laws or pursuant to agreements between the businesses and consumers, and further, that businesses must bear the reasonable cost of transportation for large commodities in the event of repair, replacement or return. Article 45 also stipulates that should a product not work properly after being repaired twice within the term of guaranteed repair, the business shall be responsible for replacement or return. As at the Latest Practicable Date, our PRC legal advisers, King & Wood, have advised that no specific regulations for the automobile industry have been promulgated pursuant to Article 45.

Violation of the Consumer Protection Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer.

REGULATIONS

COMPETITION AND ANTI-TRUST LAWS

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

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

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

INTELLECTUAL PROPERTY RIGHTS

International conventions

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

Trademarks

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

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;

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- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

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

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

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

Copyright

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

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

Domain names

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

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

REGULATIONS

Our PRC legal advisers, King & Wood, have confirmed that we are in full compliance with all relevant intellectual property laws, rules, and regulations and that there has been no incident of infringement or alleged infringement of a third party's intellectual property rights during the Track Record Period.

LABOR

Employment contracts

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

Employee funds

Under applicable PRC laws, rules and regulations, including the Interim Regulations on the Collection and Payment of Social Security Funds, promulgated by the State Council on 22 January 1999 which became effective on 22 January 1999 (社會保險費徵繳暫行條例), and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council on 3 April 1999 which became effective on 3 April 1999 and as amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

As at the Latest Practicable Date, our PRC legal advisers, King & Wood, have advised that all the domestic subsidiaries of the Group are in compliance with the applicable labor laws, rules and regulations and have fully contributed to all mandatory social security funds and housing accumulation fund based on the review of the confirmations issued by the relevant social securities as well as other documents evidencing contribution of the social security funds/housing accumulation funds of the domestic subsidiaries of the Group.