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## REGULATORY OVERVIEW

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### OVERVIEW

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

### REGULATIONS RELATING TO THE PRC AUTOMOBILE INDUSTRY

#### The PRC Automobile Industry

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

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

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

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

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

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

### **New Automobile Sales**

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

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

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

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

### **Automobile Maintenance and Repair Services**

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

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

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

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

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

### **Pre-owned Automobile Sales**

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

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

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

### Automobile Insurance

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

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

### Automobile Loans

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

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

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

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

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### Anti-congestion

On December 23, 2010, Beijing Municipal Government promulgated the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (北京市小客車數量調控暫行規定), which became effective as of the same date. Pursuant to this regulation and its implementation rules, the city imposes an annual quota on the issuance of new vehicle registration plates. The quota for 2013 is 240,000. Potential automobile purchasers need to meet specific criteria and enter into a monthly draw. Only candidates who have been allocated a plate in the draw can apply to have their automobiles registered with the local vehicle administration in Beijing. Shanghai has implemented an auction system for the issuance of new vehicle registration plates since 1994. Under this system, each applicant is required to submit a “blind” bid for a vehicle registration plate. Only successful bidders can apply to have their automobiles registered with the local vehicle administration in Shanghai. Out-of-city vehicles bearing non-Shanghai registration plates are not allowed on certain roads during specified rush hours. We were not materially and adversely affected by the aforementioned anti-congestion regulations during the Track Record Period.

### COMPANY LAW

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

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

The Company Law also applies to foreign-invested companies.

### WHOLLY FOREIGN-OWNED ENTERPRISES

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

### MERGERS AND ACQUISITIONS

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

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

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

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

### PROPERTY LAW

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

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

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

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

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### REGULATIONS RELATING TO TAXATION

#### Consumption Tax

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

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

#### Other Taxes

Please see "Taxation — PRC Taxation" in Appendix IV to this prospectus.

### FOREIGN EXCHANGE CONTROL

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

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

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

Please refer to “Risk Factors — Risks Relating to Conducting Business in the PRC — Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under the PRC laws”.

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

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

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

### EMPLOYEE STOCK OPTION PLAN

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

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

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

### FOREIGN EXCHANGE RATE

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

### SHAREHOLDER LOANS

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

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### DIVIDEND DISTRIBUTIONS

Under the Law on Wholly Foreign-Owned Enterprises (外資企業法), promulgated by the National People's Congress on April 12, 1986 which became effective on April 12, 1986, and as amended on October 31, 2000, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to employees' funds as specified under PRC laws, regulations and rules, and have set off financial losses during previous accounting years. Undistributed profits from previous accounting years may be distributed together with profits available for distribution during the current accounting year. Foreign-invested enterprises may remit after-tax profits as dividends to overseas equity holders without seeking the SAFE's approval.

### ENVIRONMENTAL PROTECTION

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

#### Air Pollution

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

#### Water Pollution

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

#### Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on October 29, 1996, which became effective on March 1, 1997, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for

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prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

### Construction Projects

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

### AUTOMOBILE RECALLS

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

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

On October 22, 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on January 1, 2013 (the "New Recall Rules"). In accordance with the New Recall Rules, the sellers shall cease selling defective automobile products upon becoming aware of the defects in the automobile products or receiving the recall plan from the manufacturers. The New Recall Rules also provide for higher penalty for violations by the sellers. A penalty fine between RMB500,000 to RMB1 million may be imposed on sellers who fail to cooperate with the defect investigation carried out by products quality supervision authorities, and who refuse to make corrections after

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receiving the orders from products quality supervision authorities; illegal proceeds, if any, shall be confiscated concurrently; in cases of violations, relevant permits shall be revoked by the licensing authorities.

### PRODUCT QUALITY

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

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

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

### CONSUMER PROTECTION

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

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

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

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

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event of repair, replacement or return. Article 45 also stipulates that should a product not work properly after being repaired twice within the term of guaranteed repair, the business shall be responsible for replacement or return. As at the Latest Practicable Date, our PRC legal advisors have advised that no specific regulations for the automobile industry have been promulgated pursuant to Article 45.

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

### GUARANTEES FOR FAMILY CAR PRODUCTS

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

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

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

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

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

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

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

### COMPETITION AND ANTI-TRUST LAWS

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

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

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

### INTELLECTUAL PROPERTY RIGHTS

#### International Conventions

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

#### Trademarks

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

- using a trademark, which is identical or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;

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

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

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

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

### Copyrights

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

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

### Domain Names

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

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

### LABOR

#### Employment Contracts

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

#### Employee Funds

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