

REGULATORY FRAMEWORK

Hong Kong regulatory overview

The following sets forth the most significant aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong.

There are three principal types of licenses required for the operation of our Group's restaurants and central kitchen in Hong Kong. They are as follows:

- (a) food business license, including restaurant license for restaurant operation, food factory license for central kitchen and bakery license for bakery operation, which are required to be obtained before commencement of the relevant food business operation;
- (b) water pollution control license, which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences; and
- (c) liquor license, which is to be obtained before commencement of sale of liquor in the restaurant premises.

Health and Safety Regulatory Compliance

Restaurant license

Any person operating a restaurant in Hong Kong is required to obtain a restaurant license from the Food and Environmental Hygiene Department (the "FEHD") under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) ("FBR") before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant license. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a restaurant license. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfillment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licenses to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full restaurant license.

A provisional restaurant license is valid for a period of six months or a lesser period and a full restaurant license is generally valid for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant license is renewable on one occasion and a full restaurant license is renewable annually.

Food factory license

In respect of our restaurant located at the Hong Kong International Airport and our central kitchen in Hong Kong, we are required to obtain a food factory license from the FEHD under the FBR. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any food factory business except with a food factory license. The

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FEHD may grant a provisional food factory license to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfillment of all outstanding requirements for the issue of a full food factory license.

A provisional food factory license is valid for a period of six months or a lesser period and a full food factory license is valid generally for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional food factory license is renewable on one occasion and a full food factory license is renewable annually.

Bakery license

Under section 31(1) of the FBR and according to the guideline of the FEHD, it is required that any person who prepares bread or other bakery products for sale at any premises in Hong Kong must obtain a bakery license from the FEHD before commencement of such business.

According to the guideline of the FEHD, if the baking of bread and other bakery products is carried out in a licensed general restaurant and if such bakery products are for consumption by customers on the premises, no separate bakery license is required. For the retail sale of bread and other bakery products prepared in a licensed restaurant in a separate counter/portion of the premises, a separate bakery license is required.

As of the Latest Practicable Date, save as disclosed in “Business — Licenses for our Group’s operations in Hong Kong” in this prospectus, we have obtained all restaurant licenses, food factory license and bakery licenses as required under the relevant laws and regulations for our restaurants and central kitchen in Hong Kong from the FEHD.

Demerit points system

The demerit points system is a penalty system operated by the FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

- (a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the license in respect of such licensed premises will be subject to suspension for seven days (“First Suspension”);
- (b) if, within a period of 12 months from the date of the last offense leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to suspension for 14 days (“Second Suspension”);
- (c) thereafter, if within a period of 12 months from the date of the last offense leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the license will be subject to cancellation;
- (d) for multiple offenses found during any single inspection, the total number of demerit points registered against the license will be the sum of the demerit points for each of the offenses;

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- (e) the prescribed demerit points for a particular offense will be doubled and trebled if the same offense is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offense pending, that is the subject of a hearing and not yet taken into account when a license is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

As of the Latest Practicable Date, save as disclosed in “Business — Transfer of food business licenses of the six restaurants” in this prospectus, we have not obtained any notice, letters or documents in relation to the demerit points system.

Environmental Regulations

Water Pollution Control License

In respect of our operations in Hong Kong, we are required to obtain water pollution control license from the Environmental Protection Department (the “EPD”) prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”). Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control license. A water pollution control license is granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

A water pollution control license may be granted for a period of not less than two years and generally five years, subject to payment of the prescribed license fee and continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control license is renewable.

As of the Latest Practicable Date, save as disclosed in “Business — Licenses for our Group’s operations in Hong Kong” in this prospectus, we have obtained all water pollution control licenses required for our restaurants and central kitchen in Hong Kong from the EPD.

Liquor Regulations

Liquor license

In Hong Kong, a person must obtain a liquor license from the Liquor Licensing Board (“LLB”) under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Law of Hong Kong) (the “DCR”) before commencement of sale of liquor for consumption on the premises. It is

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provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) (the “DCO”) that where regulations prohibit the sale or supply of any liquor except with a liquor license, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor license. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor license. A liquor license will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor license are referred to the Commissioner of Police and the District Officer concerned for comments.

A liquor license is valid for a period of one year or lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

Our Group has obtained liquor licenses for our restaurants on whose premises liquor is sold for consumption.

Save as disclosed in “Business — Licenses for our Group’s operations in Hong Kong” in this prospectus, our Group has obtained all relevant licenses, certificates and permits and has complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

PRC Regulatory overview

The following sets forth a summary of the most significant aspects of PRC laws and regulations relating to our business operations in the PRC or our Shareholders’ rights to receive dividends and other distributions from our PRC subsidiaries.

Laws and regulations on foreign investment in food service industry

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2011年修訂)》) (the “Catalogue”), which was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission on December 24, 2011. The Catalogue, as amended, became effective on January 30, 2012 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign invested industries, restricted foreign invested industries and prohibited foreign invested industries. Any industry not listed in the Catalogue is a permitted industry. According to the Catalogue, the provision of consumer food and beverage services and general food production and sales are industries permitted to foreign investment.

The Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) (the “Wholly Foreign-owned Enterprises Law”), which was promulgated by the National People’s Congress on April 12, 1986 and amended on October 31, 2000, is the fundamental legal basis for Chinese government to supervise whole foreign-owned enterprises. According to the Wholly Foreign-owned Enterprises Law, to establish a wholly foreign-owned enterprise, the investor shall make an application to the department in charge of foreign trade under the State Council or the organizations authorized by the State Council. In the event of separation, merger or other major change, a wholly foreign-owned enterprise shall report to and seek approval from the authorities in charge of examination and approval, and register the change with the industry and commerce administration authorities. The foreign investor in any wholly foreign-owned enterprise may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

Food safety and licensing requirements for consumer food services

The Food Safety Law (《食品安全法》) and the Implementation Rules of the Food Safety Law (《食品安全法實施條例》), which came into force on June 1 and July 20, 2009 respectively, were designed to guarantee food safety and to safeguard the health and safety of the public. The state set up a system of the supervision, monitoring and appraisal for food safety risks, compulsory adoption of food safety standards and operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food distribution services and consumer food services shall comply with the foregoing laws and rules.

According to the Food Safety Law, the State Council shall set up the Food Safety Commission, whose duties will be stipulated by the State Council. The health administration department under the State Council will be responsible for food safety integration and coordination and also the evaluation of food safety risks, the formulation of food safety regulatory standards, the publication of food safety information, the formulation of qualifications for food inspection institutions and their inspection standards, and the investigation and handling of serious food safety accidents. The quality supervision department and the administration for industry and commerce under the State Council, as well as the food and drug supervision and administration department of the state shall, in accordance with the provisions of Food Safety Law and the duties stipulated by the State Council, implement the supervision and administration respectively on food production, food circulation, and catering service activities.

The Food Safety Law sets forth various penalties in the form of warnings, orders to rectify, confiscation of illegal gains or utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment for violations of food safety laws. The gains and other assets of any restaurant that does not have a proper food service license may be confiscated. The restaurant may also be fined up to ten times the value of food sold at the restaurant.

The Implementation Rules of the Food Safety Law, as effective on July 20, 2009, further specify the penalties for violations and the detailed measures to be taken and followed by food producers and business operators in order to ensure food safety.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》). Both measures came into force on May 1, 2010. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Providers of consumer food services are required to obtain a food service license and are responsible for safety in food and beverage services in accordance with the law. A service provider, providing food and beverage services at different locations or venues must obtain separate food and beverage service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required. The food service license is valid for a period of three years. For those temporarily providing consumer food services, an interim food service license valid for a period not exceeding six months must be obtained. Where renewal is required, the consumer food services providers are required to submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the food and beverage service license. Overdue renewal application may follow the same procedure as new application for food service license. The original issuing department, after accepting the renewal application for the food service license, must focus on whether there has been any change to the formerly licensed operation venue, any change in the layout of flow

processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for the grant of a license, and a new food service license will be issued upon successful renewal. Any transfer, alteration, lending, sale or leasing of food service licenses by consumer food service provider is strictly prohibited. Consumer food services providers shall operate within the scope of their licenses in accordance with the law and the scope specified in their food service licenses. The food service license must be hung or displayed at a conspicuous position in the venue for dining. If the consumer food service providers had already obtained a food hygiene license before the implementation date of the Administrative Measures on Food and Beverage Service Licensing, the pre-existing food hygiene license will remain effective during its valid period. The consumer food service providers holding a food hygiene license shall apply to the appropriate local food and drug supervision and administration authorities in the administrative regions where they operate for a food service license before the food hygiene license's expiry date.

Regulations on the sanitation of public assembly lines

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) effective on April 1, 1987, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) first effective on June 1, 1991, and subsequently amended in 1993 and 2010 were promulgated by the State Council and the Ministry of Health respectively. The said regulations were adopted for the purposes of creating favorable and sanitary conditions for the public assembly venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health authority, a restaurant may be required to obtain a public assembly venue hygiene license from the local health authority before it applies for a business license.

Under the foregoing regulations, the local health authorities shall take the responsibility of supervising the sanitary conditions of the public assembly venues within their respective jurisdiction. Violation of the said regulations and rules may result in administrative penalties ranging from warning, fine, order of rectification, suspension of business, or even revocation of the public assembly venue hygiene license, depending on the seriousness of the violation.

Regulations on liquor distribution

In accordance with Measures for the Administration of Liquor Distribution (《酒類流通管理辦法》) effective on January 1, 2006, which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as "liquor operator") shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business license, sanitation license, production license (limited to producers), registration form, power of attorney of liquor distribution (limited to producers) of a supplier that supplies goods for the first time. The liquor operator shall establish an account for purchases and sales in the liquor business operation which he or she shall keep for three years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the foregoing rules. According to the Shanghai Regulations on the Production and Sales of Liquor (《上海市酒類商品產銷管理條例》) effective on January 1, 1998, a license system for the production, wholesale and retail of liquor is adopted. Any entity or individual engaged in the retail of liquor shall apply for and obtain the liquor retail license.

Laws and regulations on fire prevention

The Fire Prevention Law of the PRC (the “Fire Prevention Law”, 《中華人民共和國消防法》) was adopted on April 29, 1998 and amended on October 28, 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention units of such public security departments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or the construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be). No construction permit shall be given to the construction projects for which the fire prevention design has not been approved or are considered unqualified after the review, nor shall such construction entity commence their construction. Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. No construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. For each public assembly venue (公眾聚集場所), such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety check on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety check on fire prevention or fails to conform to the safety requirements for fire prevention after such check.

According to the Provisions for Fire-protection Supervision and Administration of Construction Projects (《建設工程消防監督管理規定》), the construction of hotels or restaurants with a total building area exceeding 10,000 square meters and restaurants with entertainment function possessing a building area more than 500 square meters shall be subject to the review on its fire safety design and the final examination and acceptance upon completion of the construction by the fire prevention authorities.

Laws and regulations on environmental protection

Environmental Protection Law

The Environmental Protection Law of the PRC (the “Environmental Protection Law”, 《中華人民共和國環境保護法》) was promulgated and effective on December 26, 1989. This Legislation has been formulated for the purposes of protecting and improving both the living environment and ecological environment, preventing and controlling pollution, other public hazards and safeguarding people’s health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement on any such construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part

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of the project. Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

The Environmental Protection Law makes it clear that legal liabilities of any violation of the said law include warning, fine, rectification within a time limit, compulsory suspension of operations, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

Pursuant to the Environmental Protection Law, the Law of the People's Republic of China on Appraisal of Environment Impact (《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 and put into force upon and from September 1, 2003, and the Replies Concerning that new catering and entertainment facilities shall be applied to the systems of Appraisal of Environment Impacts (《關於新建飲食娛樂服務設施應當執行環境影響評價制度的覆函》) put into force upon and from January 20, 1999, all the new construction, renovation and expansion of catering service facilities and converting leased buildings into catering service facilities shall make the registration or obtain approval with respect to the environment impact with or from local environment protection authorities.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), promulgated on December 27, 2001, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection or its local counterparts upon the completion of construction, and only after the construction project has passed the inspection and acceptance and acquired the approval thereon can it be put into production or use.

Laws and Regulations on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) (the "Water Pollution Prevention and Control Law") first came into effect as of November 1, 1984 and was subsequently amended on May 15, 1996 and February 28, 2008, respectively. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the Water Pollution Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

The Water Pollution Prevention Law provides that environmental impact assessment should be conducted in accordance with the relevant laws and regulations for new construction projects and expansion or reconstruction projects and other facilities on water that directly or indirectly discharge pollutants to water bodies. Facilities for the prevention and control of water pollution at a construction project shall be designed, built and put into use along with the main structure of the construction project. The construction project shall only be used after facilities for the prevention and control of water pollution pass the inspection and acceptance by the Ministry of Environmental Protection and its appropriate local counterparts. Dismantling or putting off operation of such installations shall be subject to prior approval of the local counterpart of the Ministry of Environmental Protection at or above the county level.

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In addition, pursuant to the Water Pollution Prevention and Control Law and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (《國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知》) and Regulation on Administration of the Levying and the Use of Pollutant Discharging Fees (《排污費徵收使用管理條例》), food and beverage service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

Laws on intellectual property rights

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (the “Trademark Law”, 《中華人民共和國商標法》) amended as of October 27, 2001 and came into effect on December 1, 2001. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to laws. Where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

Laws and regulations on labor and production safety

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) effective as of January 1, 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labor protection.

Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (“Labor Contract Law”) promulgated by the Standing Committee of the National People’s Congress on June 29, 2007 which became effective on January 1, 2008, governs the relationships between employers and employees and contains specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment 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. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be timely paid to the laborers. 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.

Production Safety Law

According to the PRC Production Safety Law (《中華人民共和國安全生產法》) (the “Production Safety Law”) effective as of November 1, 2002, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety. The design, manufacture, installation, use, checking, maintenance, repair and disposal of safety equipment shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide personal protective equipments that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments according to the prescribed rules.

Regulations on Occupational Injury Insurance

According to the Regulations on Occupational Injury Insurance (《工傷保險條例》) effective as of January 1, 2004 and amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) effective as of January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (《社會保險費徵繳暫行條例》) effective as of January 22, 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) effective as of March 19, 1999 and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) effective as of April 3, 1999 and amended on March 24, 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

If an enterprise fails to pay the required premiums or withhold the payment of its employees, the relevant authorities in charge of labor or tax will demand the enterprise to settle the overdue amount within a stipulated time limit. If the enterprise fails to perform its obligation before the expiration of the specified time period, the authorities will impose a fine of 0.2% of the overdue amount per day, calculated from the date on which the amount became overdue. The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People’s Congress on October 28, 2010 integrates the regulations on pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance and further clarifies the responsibility of employers and the legal liability for non-compliance with laws and regulations relating to social insurance. The Social Insurance Law of the PRC came into effect on July 1, 2011 and does not affect the effectiveness of the existing regulations on social insurance as described above.

According to the Regulations on the Administration of Housing Accumulation 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 housing accumulation funds. The payment is required to be 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.

Employment Promotion Law

According to the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》) (the “Employment Promotion Law”) which became effective on January 1, 2008, the State seeks to create more jobs by encouraging various types of enterprises to, inter alia, expand its existing

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businesses. In addition, the PRC Government will establish an unemployment insurance system to secure the livelihoods of unemployed persons and assist them in finding employment. The PRC Government at and above the county level shall also establish a public employment service system and public employment service agencies to provide free services to laborers such as announcing information on supply and demand of jobs, market wage levels, vocational training and job recommendations.

Laws and regulations on taxation

Enterprise Income Tax

On January 1, 2008, the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) was put into force and simultaneously the Income Tax Law on Foreign-invested Enterprises and Foreign Enterprises was repealed. Income produced within PRC by enterprises or other organizations shall be imposed an enterprise income tax at the rate of 25%.

Individual Income Tax

On September 1, 2011, the Law of the Peoples' Republic of China on Individual Income Tax (《中華人民共和國個人所得稅法》) (the "Law of Individual Income Tax") came into force and stipulates that an individual having residence in China or having resided in China for one year or more although without a permanent residence therein shall pay individual income tax on income from inside and outside China at the rates which are specified in Article 3 of the Law of Individual Income Tax.

Business Tax

The business tax of foreign-invested enterprises was governed by the Tentative Regulations on Business Tax of the People's Republic of China (《中華人民共和國營業稅暫行條例》), which came into force upon and from January 1, 1994, and was amended on November 10, 2008. The amendment came into force as of January 1, 2009. According to this tentative regulations, enterprises of service industry shall pay the business tax at a rate of 5% in respect of the turnover.

Value-added Tax

The value-added tax of foreign-invested enterprises was governed by the Tentative Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which came into force upon and from January 1, 1994, and was amended on November 10, 2008. The amendment came into force as of January 1, 2009. Under these tentative regulations, the value-added tax is payable on the sale or importation of goods and the provision of processing, repair and labor replacement services in the PRC. The value-added tax is generally levied at the rate of 17%, however a rate of 13% is applicable to the sale or import of certain categories of essential goods. Exported goods are exempt from the value-added tax.

Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas

holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer.

Regulations on foreign exchange

The Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Administrative Regulations”) which was promulgated and implemented since April 1, 1996 and was amended with effect from August 5, 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange. Under the Foreign Exchange Administrative Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant State regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer’s own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business.

Where an approval from the relevant foreign exchange administrative authority is required in accordance with State provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the relevant laws, the amount of Renminbi that belongs to the relevant foreign investor(s) after liquidation and payment of tax pursuant to relevant State provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

Macau regulatory overview

The following sets forth certain significant aspects of Macau laws and regulations relating to our business operations in Macau.

Health and Safety Regulations

License to operate a Restaurant

Under Macau law, restaurants can only open to the public after the issuance of a license obtained from the Macau Government Tourist Office (the “MGTO”) in accordance with the provisions of Decree-Law no. 16/96/M, dated April 1, 1996, and Ordinance no. 83/96/M, dated April 1, 1996. Before issuing such a license, the MGTO must analyse formal opinions rendered on urbanistic, sanitary and fire safety conditions, the compliance of the project with the applicable legal requirements and the result of the mandatory inspection of the premises in respect of their suitability for use as a restaurant.

Once the license for the restaurant is issued, it is valid for one year and must be renewed annually. The license lapses and is cancelled if the restaurant is closed for a period of at least one year or if its renewal is not requested for two consecutive years (Article 31 of Decree-Law no. 16/96/M, dated April 1, 1996).

LAWS AND REGULATIONS

Food Safety and Fire Prevention Regulations

Rules on food safety in Macau mainly aim at prohibiting the production and commerce of foods that are noxious for human consumption. A proposal for Food Safety Law is currently under discussion in the Macau Legislative Assembly, which has been generally approved on May 10, 2012, and the enactment of which is expected in the near future. The proposed law, once enacted, will be applicable to our operations and restaurant in Macau.

Also in respect to this matter, the abovementioned Decree-Law no. 16/96/M, dated April 1, 1996, and Ordinance no. 83/96/M, dated April 1, 1996 also provide several rules designed to guarantee that restaurants have minimum standards for hygiene, food and fire safety, and the safeguard of public health. The non-compliance with these standards may constitute an administrative offense, punishable with monetary fines and additional sanctions.

Decree-Law no. 24/95/M, dated June 9, 1995, which approved the Regulation on Fire Safety, sets out, in detail, fire safety and fire prevention regulations, aiming to prevent the risk of fires and their spreading and propagation to neighbour buildings. Restaurants must comply with the technical and building requirements in Decree-Law no. 24/95/M, dated June 9, 1995, and such compliance will be considered at the time of licensing by the MGTO.

Environmental Regulations

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated March 11, 1991, regarding the protection and sustainable development of the environment. Under Article 30 of the aforementioned Law, regardless of having observed all applicable and mandatory laws and regulations, an entity that causes significant damage to the environment due to dangerous behaviour, will always be liable to pay due compensation.

The “Smoking Prevention and Control Regime”, approved by Law no. 5/2011, dated May 3, 2011 and which entered into force on January 1, 2012, set out strict rules for the sale of tobacco products and now determines that smoking is prohibited indoors in a restaurant. Non-compliance with the rules of the “Smoking Prevention and Control Regime” is an administrative offense punishable with fines ranging from MOP400 to MOP100,000.

Of relevance are also Decree-Law no. 46/96/M, dated August 19, 1996, which sets out the water supply and drainage regulations and technical specifications in order to ensure public health and the safety of the installations, and Decree-Law no. 54/94/M, dated November 14, 1994, which provides rules for noise prevention and control.

Employment Regulations

Labor Law

The Macau Labor Relations Law, approved by Law no. 7/2008, dated August 5, 2008, establishes the general regime of labor relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause.

LAWS AND REGULATIONS

Employment of Non-Resident workers

Non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, dated October 27, 2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.