
SUMMARY OF PRC LAWS AND REGULATIONS

The main business of our Company is operated by two affiliated companies located in the PRC. These companies must comply with industry policies of the PRC government and relevant laws and regulations, and they are both subject to the supervision of relevant government authorities, primarily in areas such as qualifications for undertaking construction projects, commencing engineering design business, project tendering, construction, quality, acceptance and inspection for the completion of engineering works. In addition, the construction of engineering works is also subject to environmental protection and work safety regulations by relevant government authorities.

PRINCIPAL REGULATORY AUTHORITIES

1. The NDRC, either at the “national” or “state” or local levels, which formulates and implements major policies concerning China’s economic and social development, examines and approves investment projects exceeding certain capital expenditure amounts or in specified industry sectors, including examination and approval of foreign investment projects.
2. MOFCOM and other commerce authorities at the local level, which are responsible for the examination and approval of FIEs and overseas investment by PRC enterprises.
3. The Ministry of Construction and other construction administration authorities at the local level, which implement centralized supervision and administration of construction projects throughout the country.
4. The State Administration of Work Safety of the PRC, which is in charge of the overall administration of work safety nationwide.

Our PRC legal advisers are of the view that each of the government authorities confirming Wison Engineering and Wison Yangzhou’s compliance with PRC laws and regulations as disclosed in this “Summary of PRC Laws and Regulations” section are the relevant and competent authorities to give such confirmations.

PRINCIPAL LAWS AND REGULATIONS OF THE CONSTRUCTION INDUSTRY

Project Examination and Approval

On July 16, 2004, the State Council passed, with immediate effect, the Decision on Institutional Reform of Investment System (《國務院關於投資體制改革的決定》) (Guo Fa (2004) No.20) (the “Investment Reform Decision”). The objectives of the legislation are to reduce the PRC government’s direct intervention into enterprises’ activities, to allow the market to allocate resources, to increase investment efficiency and to promote the sustained, coordinated and healthy development of the PRC economy. The Investment Reform Decision has streamlined the governmental approvals process for investment projects. There are two forms of government approval: “approval” and “registration”. For investment projects that do not require or involve direct government funding, no approval will be required. Instead, only registration will be required for such investment projects, unless the investment projects are major investments and fall within the restricted sectors specified in an annual catalog released by the State Council.

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Construction Law

The Construction Law of the PRC (《中華人民共和國建築法》) (Presidential Decree No.91) that was enacted and passed by the Standing Committee of the 8th National People's Congress on November 1, 1997, later effective March 1, 1998 and amended on April 22, 2011, provides that:

1. a license system must be implemented on construction projects, including licenses for construction activities and construction personnel, respectively. Before the commencement of any construction activities, a relevant construction license must be applied for in accordance with certain conditions, and the construction activities must be carried out by construction enterprises, inspection units, design units and project supervisory units possessing the relevant qualification certificates;
2. construction enterprises may only sub-contract construction projects to sub-contractors possessing the relevant qualifications, and a written contract as required by the law must be entered into between the contractor and the sub-contractor specifying the rights and obligations of the parties. Sub-contracting construction projects must be conducted by tender pursuant to the law, and construction projects not suitable for sub-contracting by tender may be sub-contracted directly;
3. a construction supervision system has been implemented by the competent authority. Supervisors for construction projects must, on behalf of the party initiating the construction, supervise various aspects of the sub-contracts, such as the quality of construction works, construction schedule and utilization of the construction funds in accordance with the laws, administrative regulations, relevant technical standards, design documents and contracts for construction works;
4. management of the operational safety of construction works must be conducted based on the principle of "safety first and prevention as main concern", and a functional system of responsibilities for safe operations must also be established; and
5. the quality of construction works must be in line with the relevant requirements for construction safety standards. The competent authority introduced a system to verify the quality of the units involved in construction activities. The overall contractor of a project will be accountable for the construction quality if a lump sum contract is adopted for the construction works. Where the construction works are sub-contracted to other units by the overall contractor, the overall contractor and the sub-contractor(s) will take joint and several liability for the quality of the construction works sub-contracted.

Pursuant to the Construction Law of the PRC (《建築法》), construction enterprises, surveying units, designing units and construction supervision units engaged in construction activities must be classified into different qualification grades on the basis of their registered capital, specialized technicians, technologies and equipment owned and the completed construction projects, and they may only be engaged in construction activities within the

scope specified for them in terms of their qualification grades after passing the qualification examination and obtaining the appropriate qualification grade certificates.

Management of Contracting Qualification

The Regulations on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) (Decree No.159 of the Ministry of Construction of the PRC) were passed by the Ministry of Construction on June 26, 2007 and became effective on September 1, 2007. On October 18, 2007, the Ministry of Construction promulgated the Opinions on the Implementation of the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定實施意見》) (Jian Shi (2007) No.241) (the “Implementation Opinions”). Under these provisions, qualifications of enterprises operating as contractors in the construction industry are categorized into three classes: main construction contractors, professional contractors and labor sub-contractors.

1. Enterprises awarded the qualification of main construction contractor may undertake a main construction contracting project.
2. Enterprises awarded the qualification of professional contractor may undertake professional projects contracted out by main construction contractors and by the party initiating the construction in accordance with the laws.
3. Enterprises awarded the qualifications of labor sub-contractor may undertake labor operations contracted out by main construction contractors or by professional contractors.

The qualifications of main construction contractors, professional contractors and labor sub-contractors are classified into different types of qualifications according to the nature and technical characteristics of the projects and further into different qualification classes in accordance with the aforesaid conditions.

1. The qualifications of Special Grade and Grade I main construction contractor, the qualifications of Grade II and Grade III main construction contractor of enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries, the qualifications of Grade I professional contractor in the areas of irrigation, transportation and information industry, the qualifications of Grade I and Grade II professional contractors in the areas of railway and civil aviation, and qualifications of professional contractors regardless of gradings in the areas of road traffic engineering and urban rail transit must be examined and approved by the competent department for construction administration of the State Council after an initial examination and approval by the competent department for construction administration at the provincial level. For enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries, they must apply directly for approval from the competent department for construction administration of the State Council.

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2. The qualifications of Grade II main construction contractor and the qualifications of professional contractor of Grade I, Grade II, and regardless of gradings, other than the abovementioned qualifications subject to approval by the competent department for construction administration of the State Council must be examined and approved by the competent department for construction and administration of the PRC government of the relevant province, autonomous region and municipality directly under the central government where those enterprises were established.
3. The qualifications of Grade III main construction contractor (other than the abovementioned qualifications of Grade III main construction contractor of enterprises under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council and their direct subsidiaries), Grade III professional contractor, labor sub-contractor, as well as the qualifications of enterprises engaging in the installation and repair of gas-burning appliances, must be examined and approved by the competent department for construction and administration of the relevant municipal government where those enterprises were established.

The Standards for Classification of Qualifications of Construction Enterprises (《建築業企業資質等級標準》) (Jian Jian (2001) No.82) (the “Classification Standards”) issued by the Ministry of Construction on April 20, 2001 and implemented on July 1, 2001 provide that main construction contractors are divided into 12 categories, including those for housing projects and petrochemical engineering projects, with each category being further divided into two to four classes, including, Special Grade, Grade I, Grade II and Grade III. Professional contractors are divided into 60 categories, and labor sub-contractors into 13 categories. Pursuant to the Classification Standards, the Main Construction Contracting Qualification for Petrochemical Project Construction comprises three grades, namely Special Grade, Grade I and Grade II.

Pursuant to the Implementation Opinions and the Classification Standards, certain documents such as business licenses, articles of association, certificates of identification, employment contracts, labor handbooks, social security fund payment receipts, qualification and title certificates must be submitted by the applicant applying for the main construction contractor qualification. All such documentation must be verified by independent third party organizations such as the State Administration of Industry and Commerce, Public Security Bureau, Social Insurance Centre, construction department and completed project examination department. The qualification certificate may only be granted upon accreditation of the above documents by the national, provincial and local authorities, including the Ministry of Construction, the provincial government and the municipal government.

Prior to 2005, construction enterprises were subject to annual inspection of qualifications pursuant to the then-effective Regulations on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) (Decree No.87 of the Ministry of Construction of the PRC) issued by the Ministry of Construction and effective on July 1, 2001 (the “Old Qualification Regulations”) and the Opinions on the Implementation of the Provisions on the Administration of Qualifications of Enterprises in the

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Construction Industry (《建築業企業資質管理規定實施意見》) (Jian Ban Jian (2001) No.24) promulgated by the Ministry of Construction on May 28, 2001 (the “Old Implementation Opinions”). Annual inspection included re-examination of the qualifications of the subject enterprise to determine whether such qualifications still meet the criteria for qualification grading, and whether there is any violation regarding, among other things, quality and safety.

Under the Old Implementing Opinions and the Old Qualification Regulations, if the qualification of an enterprise did not match the criteria for qualification grading or the enterprise had committed collusive tendering with any construction unit or enterprise or had secured any tender by way of bribery or other acts violating laws and regulations, it would not pass the annual inspection and would not be qualified for qualification grading, and the competent construction administrative department would not approve its application for qualification upgrading.

Pursuant to the provisions of the Standards for Classification of Qualifications of Construction Enterprises (《建築業企業資質等級標準》), in order to obtain a Grade I Main Construction Contracting Qualification for the Petrochemicals Industry, an enterprise needs to meet the following requirements:

1. The enterprise must have been engaged as the overall construction contractor or contractor for the main project of more than three large scale petrochemicals projects or a single petrochemicals project with a contract amount of more than RMB150 million, and have passed the project quality requirements during the five most recent years.
2. The enterprise managers must have experience in project management for over ten years or possess a senior-grade professional title; the chief engineer must have experience in project technical management for over ten years and have a senior professional title; the chief accountant must have the title of senior-grade accountant; the chief economist must have a senior-grade title; there must be not less than 250 project technicians and financial administrative officers with suitable titles, among which, there must be no less than 150 project technicians, with at least 20 of them possessing senior-grade professional titles and 60 of them possessing medium-grade professional titles; the enterprise must also have at least 20 grade I project managers.
3. The enterprise must have a registered capital of over RMB60 million, and net assets of over RMB72 million.
4. The highest annual construction sum of the projects undertaken by the enterprise in the three most recent years must exceed RMB200 million.
5. The enterprise must have the corresponding construction machinery and quality inspection equipment within the scope of the contract projects.

On March 15, 2005, Wison Engineering obtained the “Qualification Certificate for Construction Enterprises” (《建築業企業資格證書》) (No. A1096031011501) verified and issued by the Ministry of Construction, which was examined and ratified as the “Main Construction

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Contracting Qualification—Grade I for Petrochemical Project Construction (for ethylene plant)”. At that time, Wison Engineering met all the aforesaid requirements, the details of which are as follows:

1. Wison Engineering had both undertaken three large scale petrochemicals projects and a single petrochemicals project with a contract amount of over RMB150 million as the overall construction contractor or contractor for the main project, all of which have passed the project quality requirements.
2. Wison Engineering’s relevant managers had experience in project management for over 20 years or held senior-grade professional titles; the chief engineer had experience in project technical management for 15 years and a senior professional title; the chief accountant had a senior-grade accounting title; the chief economist had a senior-grade title; Wison Engineering had 271 project technicians and financial administrative officers holding professional titles, among which there were 236 project technicians, with 94 of them holding senior-grade professional titles, 121 of them holding medium-grade professional titles; Wison Engineering also had 20 grade I project managers.
3. As of March 2005, Wison Engineering had a registered capital of over RMB300 million, and net assets of RMB118.91 million.
4. The highest annual construction sum of projects undertaken by Wison Engineering in the three most recent years preceding the examination by the Ministry of Construction reached RMB279.5 million.
5. Wison Engineering possessed 71 sets of corresponding construction machinery and quality inspection equipment within the scope of its contract projects.

On August 9, 2005, the Ministry of Construction issued the Notice on the Matters concerning Qualification Application and Annual Review of Project Survey, Design, Construction, Supervision Enterprises and Tendering Agents (《關於工程勘察、設計、施工、監理企業及招標代理機構資質申請及年檢有關問題的通知》) (Jian Ban Shi Han [2005] No.456), and accordingly the Ministry of Construction would no longer annually review qualifications of survey, design, construction and supervision enterprises, and tendering agents, starting from 2005. After July 1, 2004, qualification certificates concerning project survey, design, construction, supervision enterprises and tendering agents (including the certificates that have or have not been annually reviewed) are effective during the period, and no organization and authority may restrict the enterprises’ normal operating activities stipulated by its qualification certificate based on the fact that they have not conducted an annual review. Therefore, Wison Engineering’s Grade I Main Construction Contracting Qualification for the Petrochemicals Industry is no longer subject to annual review by the Ministry of Construction.

Pursuant to the Method of the Use of the Integrity Manual for Construction Enterprises in Shanghai (《上海市在滬建築業企業誠信手冊使用辦法》) issued on May 16, 2004 by the Construction and Management Commission of the Shanghai Municipality, compliance with the integrity manual for construction enterprises in Shanghai (the “Integrity Manual”) must be used by the construction administrative authorities at all levels as one of the bases in classifying management and determining the qualification for enterprise upgrade or

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expansion, and the Integrity Manual must also be referenced by the municipal, district or county construction administrative authorities in the determination of any administrative penalties.

Pursuant to the Notice of Adoption of the Electronic Version of the Integrity Manual for Construction Enterprises in Shanghai (《關於啟用電子版《在滬建設工程企業誠信手冊》的通知》) issued on May 7, 2009 by the Construction Administration Office of the Shanghai Municipality, a dynamic supervision process based on an electronic version of the Integrity Manual was adopted, under which the construction enterprises must log on to the electronic version of the Integrity Manual and conduct certain self-inspections annually within a prescribed timeframe, while the relevant construction industry regulatory authorities would utilize the information in the electronic version of the Integrity Manual to review and approve the qualification compliance of such enterprises. In the event that the relevant authority issues a disapproval decision, and the enterprise fails to rectify within three months, the qualification would be withdrawn and the availability of the electronic version of Integrity Manual for such an enterprise would cease. The relevant construction industry regulatory authorities may conduct inspections from time to time on construction enterprises apart from the periodic review and approval process.

Since 2005, an annual review of our Group by the Ministry of Construction is no longer required for Wison Engineering to maintain its Grade I Main Construction Contracting Qualification. Instead Wison Engineering is subject to an annual review and approval process based on an electronic version of the Integrity Manual, consisting of Wison Engineering's self-inspection and the relevant construction industry regulatory authorities' evaluation and approval. If Wison Engineering fails to pass such review and approval process because it fails to comply with the Integrity Manual in its self assessment or if the relevant authority issues a disapproval decision, Wison Engineering's qualification may be withdrawn by the relevant construction industry regulatory authority if it fails to rectify the matter within three months.

Wison Engineering adopted and has complied with the Integrity Manual for construction enterprises in Shanghai since it was awarded the Grade I Main Construction Contracting Qualification for the petrochemical industry in 2010. The latest review and approval process was based on the Integrity Manual for 2011 submitted by Wison Engineering and its Grade I Main Construction Contracting Qualification has not been withdrawn since.

After being issued the Grade I Main Construction Contracting Qualification for Petrochemicals Industry, Wison Engineering adopted and has complied with the Integrity Manual for construction enterprises in Shanghai. The latest inspection that Wison Engineering passed was based on an electronic version of a status update it made to the Shanghai Construction Industry Advisory Council in accordance with the requirements of the Integrity Manual for 2011 and its Grade I Main Construction Contracting Qualification has not been withdrawn since.

The Ministry of Construction promulgated the Notice on Publication of the Standards for Special Grade Qualifications of Overall Contracting Construction Enterprises (《關於印發〈施工總承包企業特級資質標準〉的通知》) (Jian Shi [2007] No.72) on and effective from March 13, 2007, which has revised the qualification requirements for special grade main construction contracting qualification set out by the Classification Standards implemented on July 1, 2001.

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Pursuant to the Construction Law of the PRC, the administration department in charge of construction under the State Council must execute uniform supervision and administration over all construction activities across the PRC. Since January 1, 2008 to the date hereof, Wison Engineering has never been subjected to any sanctions by the construction administration department nor received any investigation notice, rectification notice, penalty notice or any other similar documents from the same.

According to the certificate issued by the Construction Administration Office of Shanghai municipality on July 18, 2011, Wison Engineering had not been subject to any administrative sanctions due to soliciting profit by illegal means during the normal course of business nor had it violated any provisions under the Administrative Rules for the Credibility of the Construction Enterprise of Shanghai since January 1, 2008 to the date of issue of the credibility certificate.

Pursuant to the provisions of the Administrative Rules Governing the Qualifications of Construction Surveying and Design Enterprises (《建設工程勘察設計資質管理規定》), enterprises that have obtained the relevant qualifications for construction surveying and design are entitled to engage in overall contracting business within the scope of their construction surveying and design qualifications.

Pursuant to the Standards for Qualifications of Engineering Design (《工程設計資質標準》), enterprises need to meet the following requirements to obtain a Class One Industry Design Qualification:

1. Qualification and reputation:

- (1) being an enterprise with independent legal person status;
- (2) having good social standing and registered capital of no less than RMB6 million; and
- (3) having engineering design projects completed that satisfied the performance assessment requirements with regard to engineering design category of the applicable industries; and there has been no less than one large scale project of engineering design or no less than two medium scale projects of engineering design of each design category submitted to performance assessments, which have been completed and put into operation.

2. Technical conditions:

- (1) being fully and reasonably equipped in the profession and the number of major professional and technical personnel it has is not less than those provided in the qualification standards of the applicable industries;
- (2) the technical director or chief engineer of the enterprise has a university degree or above and more than ten years of design experience, has presided over no less than two large scale projects of engineering design in the applicable industries and has held a registered professional qualification or senior professional technical qualification; and
- (3) the non-registered personnel of leading profession among the major professional and technical personnel under item 2(1) has presided over no

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less than three medium scale projects of engineering design in the applicable industries as professional technical director, among which there was no less than one large scale project.

3. Technical equipment and management standard:
 - (1) having the necessary technical equipments and fixed working place; and
 - (2) having sound management organizational structure, standards system, quality system and file management system.

Wison Engineering was granted the Class One Chemical Engineering Petrochemical and Pharmaceutical Industry Design Qualification (organic chemical and petrochemical engineering) on August 5, 2008. Wison Engineering obtained such qualification in compliance with the aforesaid requirements, the details of which are as follows:

1. Wison Engineering was an enterprise with independent legal person status, the registered capital of which was RMB306 million.
2. Wison Engineering had been engaged in 38 large scale and medium scale projects of engineering design in the categories of oil refinery projects, chemical engineering projects, storage and transportation of oil and chemical engineering, all of which were completed and put into operation.
3. There were 275 major professional and technical personnel of Wison Engineering engaged in engineering design holding medium-grade professional titles or above, 47 of which were registered engineers.
4. Wison Engineering's technical director had a university degree and 27 years of design experience, had presided over more than two large scale projects of engineering design in the applicable industries and held the title of registered chemical engineering engineer and professor-level senior engineer.
5. The non-registered personnel of leading profession among the abovementioned major professional and technical personnel have presided over no less than three medium scale projects of engineering design in the applicable industries as professional technical director, among which there was no less than one large scale project.
6. Wison Engineering had the necessary technical equipments, such as work stations, computers, scanners, printers and office space of around 9,000 square meters.
7. Wison Engineering had a sound management organizational structure, standards system, quality system and file management system.

In the view of our PRC legal advisers, the Class One Engineering design qualification certificate of Wison Engineering is legal and binding, and Wison Engineering is entitled to engage in overall contracting business in the chemical engineering, petrochemicals and pharmaceuticals industries. Further, Wison Engineering and Wison Yangzhou have obtained all relevant approvals, licenses and certificates required for their operation of the businesses they are currently engaged in and their business operations are in compliance with the relevant laws and regulations.

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Our material licenses and qualification certificates are set forth below:

Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
1	Class One Qualification for Engineering Design	August 5, 2008 (re-issued on February 3, 2010) (Before obtaining this qualification, Wison Engineering was entitled to engage in overall contracting business in the petrochemicals industry pursuant to and in accordance with the Grade I Main Construction Contracting Qualification issued on March 15, 2005.)	Valid until August 5, 2013	The enterprise may engage in design of main and auxiliary projects in chemical engineering, petrochemicals and pharmaceuticals Industry without restrictions on their scales; and it may also engage in overall contracting of, and project management and related technical and management services for the construction projects corresponding to the permitted scope of its qualification certificate.
2	Class Two Qualification for Engineering Design	November 21, 2012	Valid until August 5, 2013	The enterprise may (i) engage in the design of main and auxiliary projects of medium and small scale in the following sectors: oil and gas storage of oil and gas industry (offshore oil), food fermenting and tobacco projects of textile industry, town gas projects of municipal industry, and construction projects of construction industry; (ii) undertake class two engineering design work of corresponding scope in architectural decoration engineering design, construction curtain wall engineering design, light steel structure engineering design, building intelligent systems design, lighting engineering design and fire facilities engineering design; and (iii) also engage in overall contracting of, and project management and related technical and management services for, the construction projects corresponding to the permitted scope of its qualification certificate.

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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
3	Grade I Main Construction Contracting Qualification (only for ethylene plant)	March 15, 2005	Valid	The enterprise may engage in project construction of (i) oil refinery projects with a scale of no less than 2.5 million tons per year or their related production facilities, or (ii) Ethylene projects with a scale of no less than 300,000 tons per year or their related major production facilities, with contractual amount not exceeding five times its registered capital for one contract.
4	Overseas Project Contracting Qualification	November 19, 2007	Valid	There is no explicit restrictive provision under PRC laws and regulations currently.
5	Special Equipment Design Qualification	May 31, 2012	Valid until June 12, 2016	<p>The enterprise may engage in design of the following pressure vessels: Class A1 high pressure vessels (with single layer), Class A2 the third class low or medium pressure vessels and Class A3 spherical storage tank.</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>
6	Special Equipment Design Qualification	August 18, 2009	Valid until August 17, 2013	<p>The enterprise may engage in design of the following pressure pipes: GA categories: Class GA1 I, Class GA1 II; GB categories: Class GB1, Class GB2; GC categories: Class GC1 I II III, Class GC2, Class GC3; GD categories: Class GD1 (limited to subcritical), Class GD2. PRC laws and regulations do not set forth explicit restrictions on the amount of contracted contracts.</p>

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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
7	Class 1 Project Consultation Qualification	August 22, 2010	Valid until October 22, 2013	<p>The enterprise may engage in provision of services for “planning consulting, preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, and engineering design” within the scope of chemical industry; provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, engineering design” within the scope of petrochemicals industry; provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report” within the scope of municipal public utilities (gas heat).</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>

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Number	Qualification	Date of issue	Valid Term/ Status	Restrictions of Amount/Type on Contracts Undertaken
8	Class 2 Project Consultation Qualification	August 22, 2010,	Valid until October 22, 2013	<p>The enterprise may engage in provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report, engineering design” within the scope of pharmaceutical industry (remark: the engineering design services are subject to qualification certificate issued by the Ministry of Housing and Urban-Rural Development); provision of services for “preparation of project proposal report, preparation of project feasibility study report, project application report, fund application report” within the scope of light industry.</p> <p>There is no explicit restrictive provision under PRC laws and regulations currently on the amount of contracts undertaken.</p>

During the three years ended December 31, 2011 and the six months ended June 30, 2012, we did not engage in any project where we have not been so qualified.

Our PRC legal advisers are of the view that the qualification certificates of Wison Engineering as disclosed herein are legal and valid, and they have not been withdrawn by relevant government authorities. Wison Engineering and Wison Yangzhou have also taken measures to ensure compliance with licensing requirements on an ongoing basis, which include engaging in large scale petrochemicals projects with reasonable profits, keeping and retaining qualified technicians, maintaining and procuring necessary construction machinery and proactively preparing for periodic inspections, if any, in accordance with the licensing requirements as set forth in the applicable laws and regulations in the PRC.

The material qualifications referred to above do not require an annual inspection. We notify the General Administration of Quality Supervision, Inspection and Quarantine of the PRC when we complete the relevant project. We also provide training courses to our employees on an ongoing basis to ensure compliance with the licensing requirements.

Overall Contracting of Projects

The provisions of the Guidance on Developing Overall Contractors and Construction Project Management Enterprise (《關於培育發展工程總承包和工程項目管理企業的指導意見》) (Jian Shi

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(2003) No.30) were issued by the Ministry of Construction on February 13, 2003 (the “Guidance on Developing Overall Contractors and Construction Project Management Enterprise”), which provides that overall contracting refers to an enterprise engaging in overall contracting (“overall contractor”) appointed by the owner to undertake the entire contracted process or certain stages of the contracted process of a construction project, including survey, design, procurement, construction and trial run (for completion and acceptance) pursuant to the contract. The overall contractor is responsible to the owner for the quality, construction schedule and costing of the project in accordance with the contract.

The overall contractor can sub-contract part of the works to sub-contractors with relevant qualifications in accordance with the law and the sub-contractors must be responsible to the overall contractor pursuant to the sub-contract.

Overall contracting mainly consists of the following models: (a) engineering, procurement and construction (EPC) / turn-key contracting; (b) design-building (D-B); (c) engineering—procurement (E-P); and (d) procurement—construction (P-C). Enterprises with relevant qualifications in the survey, design and construction of construction projects are encouraged to establish an organizational and a project management system relevant to overall contracting through transformation and reorganization. A construction company with comprehensive functions of design, procurement and construction (construction management) can be developed through improving the capabilities of the project management professionals and the financing abilities, and develop overall contracting business permitted within the scope of its survey, design and construction qualification.

According to the provisions of the Administrative Rules Governing the Qualifications of Construction Surveying and Design Enterprises (《建設工程勘察設計資質管理規定》) (The 160th Order Issued by the Ministry of Construction of the People’s Republic of China) issued by the Ministry of Construction on June 26, 2007 and implemented on September 1, 2007 (the “Administrative Rules”), enterprises that have obtained the relevant qualifications for construction surveying and design are entitled to engage in overall contracting business within the scope of their construction surveying and design qualifications.

Engineering Design

According to the Administrative Rules, enterprises must obtain the relevant qualifications for construction surveying and design, which are further classified into qualifications for construction surveying and qualifications for engineering design. The Ministry of Construction issued Class I Design Qualification to Wison Engineering on February 3, 2010, with validity until August 5, 2013. The Shanghai Urban Construction and Communications Commission granted the approval of Class Two Qualification for Engineering Design to Wison Engineering on November 21, 2012, with validity until August 5, 2013.

The engineering design qualifications comprise (i) the comprehensive qualifications for engineering design, (ii) industry qualifications for engineering design and professional qualifications for engineering design and (iii) special qualifications for engineering design. The comprehensive qualifications for engineering design have only one grading, namely Class I, while the industry qualifications for engineering design, professional qualifications for

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engineering design and special qualifications for engineering design are classified into various gradings according to the nature and the technical features of the construction projects.

Enterprises that have obtained the comprehensive qualifications for engineering design may undertake construction engineering design business of various grades with different industries. Enterprises that have obtained the industry qualifications for engineering design may undertake engineering design business with a corresponding grade in the corresponding industry and corresponding professional and special (except for the qualifications for integrated design and construction service) engineering design business with the same grade within the same industry. Enterprises that obtained the professional qualifications for engineering design may undertake professional engineering design business with the corresponding grade and corresponding engineering design projects with the same grade (except for the qualifications for integrated design and construction business). Finally, enterprises that have obtained the special qualifications for engineering design projects can undertake project engineering design business with the corresponding grade.

Construction Project Management

According to the Measures for Construction Project Management (for Trial Implementation) (《建設工程項目管理試行辦法》) that were promulgated on November 16, 2004, and took effect on December 1, 2004, a project management enterprise must obtain relevant qualifications for activities relating to engineering survey, design, construction, supervision, construction cost consulting and bidding agency. An enterprise engaging in these activities may apply for one or more qualifications other than the qualifications already obtained. Upon application for relevant qualifications by the enterprise, its previous project performance, technical and management personnel, registered capital, business premises and other relevant qualification factors may be assessed in a consolidated manner.

Pursuant to the Guidance on Developing Overall Contractors and Construction Project Management Enterprise, an overall contractor could be appointed by the owner to manage projects according to their contracts, but must not undertake overall contracting business at the same time.

Construction Project Consultation

According to the Measure for Qualification Accreditation of Projects Consultation (《工程諮詢單位資格認定辦法》) that took effect on March 4, 2005, an enterprise must obtain a project consultation qualification certificate from the NDRC before conducting a projects consultation business. The NDRC issued Class 1 Consultation Qualification (《工程諮詢單位資格證書 (甲級) 》) and Class 2 Consultation Qualification (《工程諮詢單位資格證書 (乙級) 》) to Wison Engineering on August 22, 2010, both valid until October 22, 2013.

Special Equipment Design

According to the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) that took effect on June 1, 2003 and were amended on January 24, 2009, a unit may not design pressure vessels until it has been licensed by the department for safety supervision administration of special equipment of the State Council. Pursuant to the

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Opinions on Several Issues of the Newly Amended Regulations on Safety Supervision of Special Equipment (《國家質檢總局關於實施新修改的<特種設備安全監察條例>若干問題的意見》) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on May 7, 2009, the provincial competent department for safety supervision administration of special equipment is entrusted to take charge of the administration of special equipment, while the relevant license for special equipment must be issued by the General Administration of Quality Supervision, Inspection and Quarantine. The General Administration of Quality Supervision, Inspection and Quarantine (《國家品質監督檢驗檢疫總局》) issued Special Equipment Design Qualification (pressure tubes) (《特種設備設計許可證(壓力管道)》) to Wison Engineering on August 18, 2009, valid until August 17, 2013. The General Administration of Quality Supervision, Inspection and Quarantine issued Special Equipment Design Qualification (pressure vessels) (《特種設備設計許可證(壓力容器)》) to Wison Engineering on May 31, 2012, with validity until June 12, 2016.

Administration of Call for Tender and Submission of Bids

In accordance with the "Tender Law of the PRC" (《中華人民共和國招標投標法》) (Presidential Decree No.21, the "Tender Law") that took effect on January 1, 2000, a call for tender is required for all aspects (including reconnaissance, design, construction, supervision and purchase of important equipment and materials in respect of constructions) of projects relating to social and public welfare and public security, such as large scale infrastructure and public utilities projects in the PRC, projects financed wholly or partly with state-owned funds or by state financing and projects financed by funds from an international organization or loans or aids from foreign governments (the "Tender Project"). The specific scope and threshold for bidding of the Tender Project is formulated by the development planning department under the State Council, together with the relevant departments under the State Council, and is submitted to the State Council for approval.

Pursuant to the Provisions on the Standards of the Scope of Tenders and Scale of Engineering Construction Projects (the "Provisions on Tendering Standards") (《工程建設項目招標範圍和規模標準規定》) issued on May 1, 2000, the Tender Project as defined in Article 3 of the Tender Law must go through the tendering process if such Tender Project meets one of the following conditions: (i) the estimated value of single construction contracts of over RMB 2 million; (ii) the estimated value of single key equipment and material procurement contracts of over RMB 1 million; (iii) the estimated value of single contracts for the procurement of services such as survey, design and supervision of over RMB 0.5 million; and (iv) single contracts with estimated value below the prescribed amount mentioned in (i), (ii) or (iii) but with total project investments of over RMB 30 million. The governments of provinces, autonomous regions and municipalities directly under the central government may formulate specific scope and scale standards according to the local conditions, provided that the scope for any Tender Project requiring use of the tendering process as specified herein may not be narrowed.

On April 14, 2012, the General Office of the State Council issued the "Notice of the General Office of the State Council on Forwarding the Opinions on Properly Implementing the Regulations for the Implementation of the Law on Bidding and Bid Issued by the State Development and Reform Commission, the Legislative Affairs Office of the State Council and the Ministry of Supervision" (國務院辦公廳轉發發展改革委、法制辦、監察部關於做好招標投標法

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實施條例貫徹實施工作意見的通知), indicating the intention of relevant government authorities to improve the mandatory bidding systems for construction projects. Pursuant to such Notice, the State Development and Reform Commission will, in conjunction with relevant departments, focus efforts on promptly revising the Provisions on Tendering Standards, determine the scientific and reasonable standards for scope and scale of engineering construction projects that are subject to the tendering process according to law, and make public and implement a revised version of the Provisions on Tendering Standards after the same is approved by the State Council.

According to the Tender Law, tenders may be conducted in the form of public tenders and invitational tenders. Pursuant to the Measures on Tendering and Bidding for the Construction of Engineering Construction Projects (《工程建設項目施工招標投標辦法》), the construction of the following engineering construction projects must go through the public tender process: (1) major national construction projects approved by the National Development and Reform Commission of the State Council; (2) major local construction projects approved by the governments of respective provinces, autonomous regions and municipalities directly under the central government; and (3) engineering construction projects wholly funded, controlled or led by state-owned entities, provided that the above projects may instead go through the invitational tendering process upon obtaining approval if such projects meet any of the following conditions: (1) where the number of potential bidders is limited due to the complexity or special requirements of technology; (2) where the project is subject to geographical or environmental limitations; (3) where the project relates to national security, state secrets or disaster relief (and is suitable for the tendering process, but where public tender is not appropriate); (4) where the cost for public tender is not worthwhile compared to the project value; and (5) where public tender for such project is inappropriate according to relevant laws and regulations. Pursuant to the Measures on Tendering and Bidding for the Survey and Design of Engineering Construction Projects (工程建設項目勘察設計招標投標辦法), the survey and design of the following engineering construction projects must go through the public tender process: (1) major national construction projects approved by the National Development and Reform Commission of the State Council; (2) major local construction projects approved by the governments of the respective provinces, autonomous regions and municipalities directly under the central government; and (3) engineering construction projects wholly funded, controlled or led by state-owned funds, provided that the above projects may instead go through invitational tendering process upon obtaining approval if such projects meet any of the following conditions: (1) where, due to a higher technical and professional requirement or special environmental resources condition, the number of potential bidders for the project meeting the qualifications is limited; (2) where the proportion of the costs of public tenders compared to the total investment of the engineering construction project is too high; and (3) where the construction condition is limited by natural factors and the timing of the implementation of the project will be affected if it goes through public tendering process.

Pursuant to the Tender Law, any violation involving the failure to call for a tender on a project where a tender process is obligatory may result in a penalty that is no less than 0.5% but no more than 1% of the relevant contract amount that should be subject to the tender process. In addition, if any state-owned funds are used for the relevant project, the construction process or the allocation of such funds may be suspended and sanctions may be imposed on the people in charge of the relevant project and anyone else who is considered to be directly responsible for the project.

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Pursuant to the Tender Law, a construction, reconnaissance, design or supervisory enterprise may submit a bid individually or as a consortium consisting of two or more legal persons or other organizations. All enterprises in the consortium must possess the corresponding capacity necessary to undertake the tendered project. When a consortium consists of enterprises specializing in the same fields, the consortium is deemed to have the same qualification as the enterprise with the lowest qualification level in the consortium. In the event that a bid is won, all parties in the consortium must jointly enter into a contract with the party that called for the tender and must assume joint and several liabilities with such party in respect of the tendered project.

The party that calls for the tender may determine the successful tenderer based on the written report on bid assessment by a bid evaluation commission or authorize the bid evaluation commission to determine the successful tenderer directly. The tender must be awarded to the tenderer that best satisfies the various comprehensive assessment standards set forth in the tender documents, or that meets the essential requirements at the lowest bid price. After identifying the successful tenderer, the party calling for the tender must issue a notice of award to the successful tenderer and notify the other tenderers of the result.

Pursuant to the Construction Law of the PRC (《建築法》), the party calling for tender may not accept bribes, illegitimate commissions or demand any other benefits in the course of calling for tender. The potential tenderer may not secure the tender by illegitimate means, such as offering bribes, illegitimate commissions or offering other benefits.

Anyone who, in the course of calling for tender, demands, accepts or offers bribes will be investigated and prosecuted for criminal liability in accordance with law; in addition, the person may be fined, the bribes may be confiscated, and the persons who are directly in charge and the other persons who are directly responsible for the offense may be given disciplinary sanctions. Any entity that offers bribes for securing the tender, apart from being penalized according to the provisions of the preceding paragraph, may be subject to order of business suspension, degrading of its qualification or withdrawal of its qualification certificate.

Pursuant to the Tender Law of the PRC (《招標投標法》), tenderers may not collude with each other in setting bid prices, nor may they exclude other tenderers from fair competition and harm the lawful rights and interests of the party calling for tender and other potential tenderers. Tenderers may not collude with the party calling for tender and harm the interests of the state, general public and other third parties. Tenderers are prohibited from securing the tender by offering bribes to the party calling for tender or any member of the bid evaluation committee.

If a tenderer wins the tender by colluding with other tenderers or the party calling for tender or by paying bribes to the party calling for tender or members of the bid evaluation committee, the bid must be invalidated and the bid winner may be subject to a fine of no less than 0.5% but no more than 1% of the total value of the project. The person-in-charge directly responsible for the entity or any other person who is held directly responsible for such tenderer may be subject to a fine of no less than 5% but no more than 10% of the total amount of fine imposed upon the entity. Any illegal gains so generated may also be confiscated. In case of a serious violation, the tenderer may be disqualified from tendering other projects for a term of one to two years and may be revoked of its business license by

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the Administration for Industry and Commerce. If the violation constitutes a crime, the tenderer must be criminally prosecuted. In the event a third party incurred losses therewith, the tenderer may be responsible to compensate for such loss.

Quality of Construction

The Rules on the Administration of Construction Quality (《建設工程質量管理條例》) (Decree No.279 of the State Council of the PRC) implemented by the State Council on January 30, 2000 and took effect on January 30, 2000 provides that anyone engaging in the construction, expansion and modification of civil engineering, construction, pipeline work and equipment installation and renovation projects within the PRC, or the supervision and management of the quality of such projects, is subject to the rules.

Enterprises engaging in construction, survey, design and supervision must be accountable for the quality of their work. Any party initiating the construction must ensure it or any party to whom it subcontracts the project, has the requisite qualifications and may not contract out the projects by dividing the projects into parts. The construction may only be delivered for use after it has been assessed to be qualified. Parties engaging in survey, design, construction and supervision must, as required by the applicable laws, obtain qualification certificates, and undertake contractors' work as permitted by the level of qualification. Further sub-contracting by construction, survey and design units is prohibited. The party initiating the construction must, within 15 days following the date of satisfactory acceptance, submit the acceptance report, as well as the approval documents and permit of use issued by the departments for planning, public security and fire service, and environmental protection to the competent department for construction and administration or other departments concerned for record. In addition, construction works are subject to a system of quality guarantee.

Administration Control of Overseas Contracting Projects

Pursuant to the provisions of the "Foreign Trade Law of the PRC" (《中華人民共和國對外貿易法》), Presidential Decree No.15), which was promulgated on May 12, 1994, amended on April 6, 2004 and implemented on July 1, 2004, entities that are engaged in project contracting outside of the PRC or labor cooperation outside of the PRC are required to have a corresponding qualification.

The "Measures for the Administration of Qualifications for Overseas Projects Contracting" (《對外承包工程資格管理辦法》) (Decree No.9 of 2009 of the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development of PRC) promulgated on September 28, 2009 and implemented on November 1, 2009 by the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development provides that none of the enterprises that engage in overseas projects contracting business may participate in overseas projects contracting activities before they have obtained the qualifications for overseas projects contracting and the "PRC Qualification Certificates for Overseas Projects Contracting" in accordance with the requirements of such measures.

Pursuant to the "Measures for the Administration of Operational Qualifications for Labor Service Cooperation with Foreign Parties" (《對外勞務合作經營資格管理辦法》, Decree No.3 of 2004 of MOFCOM and the State Administration for Industry and Commerce) promulgated on

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July 26, 2004 and implemented on August 26, 2004, and the “Notice of MOFCOM on Implementing the ‘Measures for the Administration of Operational Qualifications for Labor Service Cooperation with Foreign Parties’” (《商務部關於執行《對外勞務合作經營資格管理辦法》有關問題的通知》) promulgated and implemented on September 2, 2004, and the “Administration Regulations for Overseas Projects Contracting” (《對外承包工程管理條例》) (Decree No.527 of the State Council) promulgated on July 21, 2008 and implemented on September 1, 2008, enterprises that have been approved and issued with the “PRC Qualification Certificate for Overseas Projects Contracting” are entitled to send staff to foreign countries in connection with the overseas contracting projects, but they are not permitted to engage in activities that only involve labor sub-contracting and such labor staff must be under the unified management of their contracted overseas projects. The Shanghai Foreign Economic Relation & Trade Commission (《上海市對外經濟貿易委員會》) issued the Overseas Projects Contracting Operational Qualification (《對外承包工程經營資格證書》) to Wison Engineering on November 19, 2007, valid until April 30, 2013.

Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (Presidential Decree No.22), issued by the Standing Committee of the National People’s Congress on December 26, 1989 and effective December 26, 1989 is the most important environmental protection law of China. The Environmental Protection Law prescribes the basic principle of harmonious development of economic growth, social advancement and environmental protection, and also defines the rights and obligations in respect of environmental protection of governments at all levels in China.

Pursuant to the Environmental Protection Law, the State Environmental Protection Administration sets the national emission standards for pollutants and is responsible for the supervision and control of environmental protection. The environmental protection department at the county and provincial or municipality levels, is responsible for environmental protection within its respective administrative sphere. The local environmental protection department may issue stricter local standards, which are binding on enterprises within their jurisdiction. The Environmental Protection Law prescribes that, any operation unit that could cause pollution or produce other hazards must take measures to protect the environment in its operation, establish a responsibility system for environmental protection, and must adopt efficient measures to control and properly dispose of waste gas, waste water, waste residues and other wastes. Entities emitting pollutants must report and register with the environmental protection authorities. Entities emitting pollutants in excess of the standards must pay a penalty for the excessive emissions and assume responsibilities for the remediation of the pollution.

Pursuant to the Experimental Scheme for Pollutants Emissions Permits (《排污許可證試點工作方案》) issued by the State Environmental Protection Administration, all legal entities that emit pollutants, directly or indirectly, to the surroundings, including the centralized municipal treatment facilities or other centralized treatment facilities for industrial pollutants, must obtain a Pollutant Emission Permit (《排放污染物許可證》).

Pursuant to the Regulations on Environmental Protection Management in Chemical Industry (《化學工業環境保護管理規定》) ([90] Hua Ji Zi No.781) promulgated by the Ministry of Chemical Industry on December 21, 1990, and Certain Regulations on the Environmental

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Protection Management of Construction Projects in Chemical Industry (《化學工業建設項目環境保護管理若干規定》) ([87] Hua Ji Zi No.733) promulgated by the Ministry of Chemical Industry on September 1, 1987, during the production and construction processes related to the chemical industry, parties must apply advanced technologies of non-pollution or less-pollution and reasonably develop and utilize various resources and energies, and control and manage pollutions such as waste water, waste gas and waste residues (“Three Wastes”), noises, vibration, dust, foul gas and radioactive materials to fulfill the discharge standard and environmental quality requirement regulated by the central or local government. During the construction process, the construction company must protect the environment around the construction site. If the construction would create dust, gas, noise, vibration and waste, they must use preventative measures. Upon the completion of the project, the construction company must revamp the environment and restore the original landscape of the surroundings.

Pursuant to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) (Presidential Decree No.87) promulgated by the standing committee of the National People’s Congress on May 11, 1984 and most recently amended on February 28, 2008, a national pollutant discharge permit system is implemented and all legal entities that directly or indirectly discharge to the water industrial wastewater, medical sewage and other wastewater and sewage that require pollutants discharge permits must obtain pollutants discharge permits before actual discharge. Pursuant to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) (Presidential Decree No.32) promulgated by the standing committee of the National People’s Congress on September 5, 1987 and most recently amended on April 29, 2000, all legal entities with restricted quantity of atmospheric pollutants must discharge pollutants strictly in compliance with major atmospheric pollutants discharge quantity restriction and discharge conditions as defined in the permit.

Work Safety

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (Presidential Decree No.70) that took effect on November 1, 2002 and amended on August 27, 2009 (the “Work Safety Law”), the State Administration of Work Safety of the PRC is in charge of the overall administration of work safety in the PRC. The Ministry of Construction is also responsible for supervising work safety in relevant industries.

Production entities must provide safe work conditions as set forth in the Work Safety Law, relevant laws, regulations, rules and State or industry standards. An entity that cannot provide safe work conditions may not engage in production activities. The designers and the design firms of the safety facilities of a construction project are liable for their designs. A production entity must install prominent warning signs around its operation sites, facilities and equipment with relatively higher degree of danger. A production entity must ensure that its safety facilities are designed, constructed, and put into operation and used simultaneously with the principal parts of the projects.

According to the Regulations on License for Work Safety (《安全生產許可證條例》) (Decree No.397 of the State Council) promulgated by the State Council that took effect on January 13, 2004, and the “Administrative Provisions on the Work Safety License of

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Construction Enterprises” (《建築施工企業安全生產許可證管理規定》) (Decree No.128 of the Ministry of Construction) promulgated and implemented by the Ministry of Construction on July 5, 2004, all construction enterprises may not engage in construction activities without obtaining a work safety license. Shanghai Urban Construction and Communications Commission (《上海市城鄉建設和交通委員會》) issued Safety Production Permit (《安全生產許可證》) to Wison Engineering on December 21, 2010, valid until December 20, 2013.

In accordance with the “Several Complementary Requirements of the Ministry of Construction on Strictly Implementing the Administrative Provisions on the Work Safety License of Construction Enterprises” (《建設部關於嚴格實施建築施工企業安全生產許可證制度的若干補充規定》, Jianzhi (2006) No.18) promulgated and implemented by the Ministry of Construction on January 25, 2006, all main construction contractors and professional contractors must apply for and obtain a work safety license in accordance with law, with the exception of professional contractors who provide pre-mixing concrete products and concrete-made components.

According to the Regulation on Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》) (Decree No.393 of the State Council) promulgated by the State Council that took effect on February 1, 2004, an entity responsible for the work safety of a construction project must assume liability for work safety of the construction project. In a project covered by a main contract, the overall contractor is liable for the general work safety of the construction site, and assume joint obligations for the sub-contracted portions of the project together with the sub-contractors. A construction entity must purchase accidental injury insurance for injuries suffered in work-related accidents and must pay the insurance premium. In a construction project covered by a main contract, the insurance premium must be paid by the overall contractor. The period covered by the insurance policies must commence on the starting date of the construction project and may terminate on the date of the acceptance and inspection upon the completion of the project.

According to Regulation on Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》), Decree No.493 of the State Council) promulgated on April 9, 2007 by the State Council that took effect on June 1, 2007, production safety accidents are classified into four levels:

1. Significant Accident refers to incidents resulting in over 30 deaths, over 100 serious injuries (including acute industrial poisoning) or direct economic losses over RMB100 million;
2. Major Accident refers to incidents resulting in over ten but less than 30 deaths, more than 50 but less than 100 serious injuries (including acute industrial poisoning) or direct economic losses over RMB50 million but below RMB100 million;
3. Large Accident refers to incidents resulting in over three but less than 10 deaths, more than ten but less than 50 serious injuries (including acute industrial poisoning) or direct economic losses over RMB10 million but below RMB50 million; and
4. General Accident refers to incidents resulting in less than three deaths, less than ten serious injuries (including acute industrial poisoning) or direct economic losses below RMB10 million.

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The construction company must establish a comprehensive work safety accountability system and work safety training system, formulate work safety rules and operation rules, ensure adequate funding for work safety, conduct regular and specialized safety inspections, and keep records of the safety inspections, to prevent occurrence of any major safety incidents.

The violation of any of the above stipulations could lead to administrative punishment by the relevant regulatory authorities in the forms of rectification, warning, penalty, qualification downgrading, and cancellation of the work safety permit and qualification certificate.

FOREIGN INVESTED CONSTRUCTION ENTERPRISES

On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation jointly promulgated the Regulations on the Administration of Foreign-funded Construction Enterprises (《外商投資建築業企業管理規定》) (Decree No.113 of the Ministry of Construction and the Ministry of Foreign Trade and Economic Cooperation) that was implemented on December 1, 2002. On April 8, 2003, the Ministry of Construction promulgated the Implementation Measures for Credential Evaluation Provided in the Regulations on the Administration of Foreign-funded Construction Enterprises (《關於外商投資建築業企業管理規定中有關資質管理的實施辦法》) (Jian Shi [2003] No.73). On September 6, 2004, the Ministry of Construction and the Ministry of Commerce jointly promulgated the Circular on Strengthening the Administration of Credential Evaluation for Foreign-funded Construction Enterprises (《關於做好外商投資建築業企業資質管理工作有關問題的通知》) (Jian Shi [2004] No.159). These regulations provide that a foreign investor setting up an FIE engaged in construction activities within China is required to obtain an “Approval Certificate for Foreign Invested Enterprises” issued by the competent department of the Ministry of Commerce, register with the State Administration of Industry and Commerce or its authorized local bureaus of industry and commerce, and obtain a “Qualification Certificate for Construction Enterprises” issued by the competent administration department of the Ministry of Construction.

Foreign invested construction enterprises can be in the form of wholly foreign-owned construction enterprises, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises. The capital contributed by the PRC party for the Sino-foreign equity joint venture construction enterprise and the Sino-foreign co-operative joint venture construction enterprise may not be lower than 25% of the enterprise’s registered capital. Foreign invested construction enterprises engaging in construction activities within the PRC must comply with the laws, regulations and rules of the PRC. According to the Regulations on Administration of Foreign Invested Construction Enterprises (《外商投資建築業企業管理規定》), wholly foreign-owned construction enterprises may only undertake the following types of construction projects within the scope of their grades of qualification:

1. projects funded totally by foreign investments, foreign grants, foreign investments and grants;
2. construction projects financed by international financial organizations and awarded through international tendering in accordance with terms of the loan agreement;

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3. Sino-foreign joint construction projects where the foreign investment is equal to or greater than 50%; Sino-foreign joint construction projects with less than 50% foreign investment which cannot be independently undertaken by the PRC construction enterprises due to technological complications, subject to the approval of the construction administration departments of the provincial government, or governments of autonomous regions or directly administered municipalities; and
4. China-invested construction projects that PRC construction enterprises cannot undertake independently due to technological complications, may be jointly undertaken by PRC and foreign construction enterprises subject to the approval of the construction administration departments of the People's Government of provinces, or autonomous regions, or directly administered municipalities.

The above types of construction projects may also be undertaken by Sino-foreign co-operative joint venture construction enterprises and Sino-foreign equity joint venture construction enterprises. In addition, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises may carry out any construction projects within the permitted scope specified by the grade of their qualification.

Foreign invested construction enterprises that apply for the qualifications of Special Grade and Grade I overall contractor and Grade I professional contractor must be examined and approved by the competent department for administration of the Ministry of Commerce under the State Council, while their qualifications must be examined and approved by the competent department for construction of the Ministry of Construction under the State Council. Pursuant to the Notice of Entrusting the Provincial Competent Department for Administration of Commerce with Review and Approval of the Foreign-invested Construction Enterprises by the Ministry of Commerce (《商務部關於委託省級商務主管部門審核管理外商投資建築業企業的通知》) (Shang Zi Han [2005] No.90), promulgated on January 22, 2006, and implemented on March 31, 2006 by the Ministry of Commerce and the Notice of Cooperating with Competent Department for Administration of Commerce with respect to the Establishment and Management of the Foreign-invested Construction Enterprises and Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Construction of the PRC (《中華人民共和國建設部關於配合商務主管部門做好外商投資建築業企業、建設工程設計企業設立管理的通知》) (Jian Shi Han [2006] No.76), promulgated and implemented by the Ministry of Construction on March 29, 2006, the review and approval right for the establishment of foreign-invested construction enterprises that apply for the qualifications of Special Grade and Grade I main construction contractor and Grade I professional contractor has been entrusted to the provincial competent department for administration of commerce and management commission of national economic and technological development zone who must then consult with the competent department for administration of construction of the same level before granting the approval. The establishment of those that apply for the qualifications of Grade II (and below) overall contractor and professional contractor and the qualifications of labor sub-contractor must be examined and approved by the competent department for administration of foreign trade and economics of the province, autonomous region and municipality directly under the Central Government, while their qualifications must be examined and approved by the competent department for administration of construction of the province, autonomous region and municipality directly under the Central Government. If a

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foreign enterprise intends to invest in the equity of a domestic construction enterprise whose classification will be transformed into a Sino-foreign equity joint venture construction enterprise or Sino-foreign co-operative joint venture construction enterprise, the qualification of that invested enterprise must be reviewed and confirmed according to its actual level of qualification.

Foreign Invested Construction and Engineering Design Enterprises

On September 27, 2002, the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation jointly promulgated the Regulations on Administration of Foreign Invested Construction and Engineering Design Enterprises (《外商投資建設工程設計企業管理規定》) (Decree No.114 of the Ministry of Construction and the former Ministry of Foreign Trade and Economic Co-operation) effective from December 1, 2002. On December 19, 2003, the Ministry of Construction and the Ministry of Commerce jointly promulgated the Supplementary Regulations of the Regulations on Administration of Foreign invested Construction and Engineering Design Enterprises (《〈外商投資建設工程設計企業管理規定〉的補充規定》) (Decree No.122 of the Ministry of Construction and the Ministry of Commerce) effective from January 1, 2004. On January 5, 2007, the Ministry of Construction and Ministry of Commerce jointly promulgated and implemented the Rules for the Implementation of the Provisions on the Administration of Foreign-funded Construction Engineering Design Enterprises (《外商投資建設工程設計企業管理規定實施細則》) (Jian Shi [2007] No.18). Pursuant to such regulations, foreign investors setting up foreign invested construction and engineering design enterprises and engaging in construction activities within the PRC are required to obtain an “Approval Certificate for Foreign Invested Enterprise” issued by the competent administration department of the Ministry of Foreign Trade and Economics, and register with the State Administration of Industry and Commerce or its authorized local bureaus of industry and commerce, and obtain the “Qualification Certificates for Construction Enterprises” issued by the competent administration department of the Ministry of Construction.

Foreign invested construction and engineering design enterprises refer to wholly foreign-owned construction enterprises, Sino-foreign equity joint venture construction enterprises and Sino-foreign co-operative joint venture construction enterprises established in accordance with the applicable laws and regulations of the PRC. The applications for the establishment and qualifications of foreign invested construction and engineering design enterprises are categorized for the purpose of approval. Foreign invested construction enterprises that apply for the qualifications of Class A of Construction Project Design and Class A and B of other construction projects must be examined and approved by the competent department of the Ministry of Foreign Trade and Economics and the competent department of the Ministry of Construction. Pursuant to the Notice of Entrusting the Provincial Competent Department for Administration of Commerce with Review and Approval of the Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Commerce (《商務部關於委託省級商務主管部門審核管理外商投資建設工程設計企業的通知》) (Shang Zi Han [2005] No.92), promulgated on January 22, 2006 and implemented on March 31, 2006 by the Ministry of Commerce, and the Notice of Cooperating with Competent Department for Administration of Commerce with respect to the Establishment and Management of the Foreign-invested Construction Enterprises and Foreign-invested Construction and Engineering Design Enterprises by the Ministry of Construction of PRC (《中華人民共和國建設部關於配合商務主管部門做好外商投資建

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築業企業、建設工程設計企業設立管理的通知》(Jian Shi Han [2006] No.76), promulgated and implemented by the Ministry of Construction on March 29, 2006, the review and approval right for the establishment of foreign-invested construction and engineering design enterprises that apply for the qualifications of Class A of Construction Project Design and Class A and B of other construction projects has been entrusted to the provincial competent department for administration of commerce and management commission of national economic and technological development zone who must then consult with the competent department for administration of construction of the same level before granting the approval. The establishment of those that apply for the qualifications of Class B of Construction Project Design and Class C (or below) for other construction projects must be examined and approved by the competent department for administration of foreign trade and economics at the relevant provincial, autonomous region and municipal level.

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《外匯管理條例》), as most recently amended on August 5, 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, unless the prior approval of SAFE or its local branch is obtained and prior registration with the same is completed. In addition, any loans to foreign invested enterprises must not, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Further, any foreign loan must be registered with SAFE or its local branch for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by MOFCOM or its local branch.

The dividends paid by a subsidiary to its shareholders are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign invested enterprises in China may purchase or remit foreign exchange, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Dividend Distribution

The principal regulations governing the distribution of dividends by foreign holding companies include the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as amended, and the administrative rules thereunder. Under these regulations, foreign invested enterprises in the PRC may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign invested enterprises in the PRC are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds,

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unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Circular 75

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), issued on October 21, 2005 and effective on November 1, 2005, (i) a person residing in the PRC (a "PRC Resident") must register with the local branch of SAFE before he or she may establish or control a special purpose vehicle (a "SPV") for the purpose of overseas equity financing (including convertible debt financing) with the assets of or equity interests in a domestic enterprise that is owned by him or her; (ii) when a PRC Resident contributes the assets of or its equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any changes to such interest in the overseas SPV with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local branch of SAFE.

Under Circular 75, failure to comply with the registration procedures may result in the imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the non-PRC SPV and penalties, including orders of remittance of foreign exchange illegally paid out of China back into China and the imposition of fines.

Mr. Hua, our founder, Chairman and a Controlling Shareholder, has registered with the Shanghai Branch of SAFE as required under Circular 75.

M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, namely MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation ("SAT"), the State Administration for Industry and Commerce, the China Securities Regulatory Commission ("CSRC"), and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), which became effective on September 8, 2006 and were amended on June 22, 2009 (the "M&A Rules"). The M&A Rules require, among other things, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. In addition, the M&A Rules require that any listing on an overseas stock exchange of an offshore special purpose vehicle, or the SPV, directly or indirectly controlled by any PRC domestic company or citizen is subject to the CSRC's approval.

Based on its understanding of current PRC laws and regulations, our PRC legal advisers are of the opinion that as Wison Engineering (formerly known as Shanghai Wison Chemical Engineering Co., Ltd.) and Wison Yangzhou were foreign-invested enterprises prior

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to September 8, 2006, the effective date of the M&A Rules, the M&A Rules do not apply to the acquisition of Shanghai Wison and Wison Yangzhou by Wison Energy in December 2008.

Tax Laws

In accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the “Old EIT Law”) and the related implementing articles, foreign invested enterprises incorporated in the PRC are generally subject to an enterprise income tax (“EIT”) of 30% plus 3% local income tax on their assessable income.

The Old EIT Law and related implementing articles provide certain favorable tax treatments to foreign invested enterprises that qualify as “manufacturing enterprises” and plan to be in operation for ten years or more. Tax incentives are also available to foreign invested enterprises that are located in specially designated cities or regions.

On January 1, 2008, the Old EIT Law was abolished, and the New Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “New EIT Law”), promulgated on March 16, 2007, as well as the Implementing Regulations for the PRC Enterprise Income Tax Law (《企業所得稅法實施條例》, “Implementation Rules”), promulgated on December 6, 2007, became effective. Pursuant to the New EIT Law, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on December 26, 2007, (i) enterprises that enjoy the low tax rate of 15% are subject to a transitional tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012, and (ii) enterprises that had enjoyed the preferential policy of full exemption for the first two years and half EIT concession for the next three years since the first profit-making year, must continue to enjoy the former policy until the preferential period expired; enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make profit must enjoy the aforesaid preferential policy from 2008. The New EIT Law also provides that enterprises that are established in accordance with the law of a foreign country (or region) and whose “de facto management bodies” are located in China are considered “tax resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate of their global income. Under the Implementation Rules, “de facto management bodies” is defined as the bodies that have, in substance, overall management and control over such aspects as production and business, personnel, accounts and properties of an enterprise. The New EIT Law and the Implementation Rules have only recently taken effect. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining “de facto management bodies”.

Under the New EIT Law and the Implementation Rules, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an established place of business in China or, despite the existence of such established place of business in China, whose relevant income is not actually connected with such place of business (such as dividends paid by a PRC subsidiary to its overseas parent) is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides for a different withholding arrangement. Under an arrangement between China

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and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity directly owns at least 25% of the equity interest of the PRC company.

On February 20, 2009, the SAT promulgated the Notice on Relevant Issues concerning Implementation of Dividend Clauses under Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “2009 Notice”). Pursuant to the 2009 Notice, transactions or the arrangements, with the purpose of obtaining preferential tax treatment, do not justify the application of preferential treatment stipulated in dividend clauses under tax treaties. If the tax payer improperly enjoys the preferential treatment under tax treaties as a result of these arrangements, the tax authority is entitled to make adjustment. As the 2009 Notice is newly issued, it remains unclear how the PRC tax authorities will implement it in practice.

On January 9, 2009, the SAT promulgated the Interim Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises (《非居民企業所得稅源泉扣繳管理暫行辦法》) (the “Interim Measures”), which took effect retroactively on January 1, 2009. In accordance with the Interim Measures, if a non-resident enterprise receives income originating from China, or other taxable income, including equity investment income such as dividend and profit, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income must be withheld by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise.

Under the New EIT Law and the Implementing Regulations, certain qualifying high-technology enterprises may still benefit from a preferential tax rate of 15% if they satisfy certain conditions, including owning their core intellectual properties and their products or services falling into the scope of certain State-supported high-tech industries specified by the government, and obtain a “high-technology enterprise” certificate in accordance with the relevant regulations, including the Administrative Measures for Determination of High-technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, Ministry of Finance and SAT on April 14, 2008.

Wison Engineering was incorporated as a domestic limited liability company on November 14, 1997, but was converted into a Sino-foreign cooperative joint venture, a type of foreign invested enterprise, on September 11, 2003. As a foreign invested enterprise operating in the construction industry, Wison Engineering qualifies as a “manufacturing enterprise”. Wison Engineering is also located in the Shanghai Pudong New Area. Therefore, it was entitled to a preferential EIT rate of 15% according to the Old EIT Law and related implementing articles. Wison Engineering was entitled to a two-year exemption from EIT for its first two profitable years of operation, which were 2004 and 2005. Wison Engineering was also entitled to a 50% relief from EIT, which resulted in an effective EIT rate of 7.5%, for 2006 and 2007. After the New EIT Law took effect on January 1, 2008, the applicable tax rate for Wison Engineering in 2008 became 18% pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (Circular 39), and thus its effective EIT rate was 9% in 2008.

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Wison Engineering obtained a “high-technology enterprise” certificate in November 2008, which was renewed in October 2011, from competent authorities in accordance with the relevant regulations. According to the approval from its local taxation authority, Wison Engineering is entitled to a preferential tax rate of 15% as a high and new technology enterprise from January 1, 2009 to December 31, 2013.

Wison Yangzhou is a wholly foreign owned enterprise, which is also a type of foreign invested enterprise. Wison Yangzhou was entitled to a preferential EIT rate of 24% and local income tax rate of 3% prior to January 1, 2008. In addition, Wison Yangzhou was exempt from EIT for two years, commencing from its first year with assessable profits after deducting tax losses brought forward from prior years, and was entitled to a 50% relief from EIT for the subsequent three years. Wison Yangzhou was exempt from local tax for five years commencing from its first year of assessable profits. The year ended December 31, 2006 was Wison Yangzhou’s first year with assessable profits and therefore Wison Yangzhou was exempt from EIT from January 1, 2006 to December 31, 2007 and entitled to a preferential tax rate of 12.5% from January 1, 2008 to December 31, 2010.

On April 30, 2009, the Ministry of Finance and State Administration of Taxation issued the Notice on Certain Issues Concerning the Handling of Enterprise Income Tax in Enterprise Restructuring (《關於企業重組業務企業所得稅處理若干問題的通知》) (Cai Shui [2009] No.59, “Circular 59”), which took effect retroactively on January 1, 2008. In accordance with Circular 59, where an enterprise is involved in an equity or assets acquisition transaction across the interior and exterior of China (including Hong Kong, Macau and Taiwan), special taxation provisions could be applied if all of the following requirements are satisfied:

1. (i) a non-resident enterprise transfer equity of a resident enterprise it owns to another non-resident enterprise under its whole and direct control, (ii) no change is caused thereby to the subsequent withholding tax burden on such equity transfer income, and (iii) the transferor non-resident enterprise makes a written commitment to the competent tax authority that it will not transfer the equity of the transferee non-resident enterprise it owns within three years (inclusive);
2. such transaction has reasonable business purpose without taking deduction, exemption or deferment of tax payment as the primary purpose;
3. the proportion of the assets or equity purchased, merged or separated conforms to the proportion prescribed by Circular 59;
4. the original substantive business activity is maintained for 12 consecutive months after the enterprise restructuring;
5. the amount of payment of equity interest involved in the restructuring conforms to the proportion prescribed by Circular 59; and
6. the original main shareholders who have obtained the payment of equity interests in enterprise restructuring may not, within 12 consecutive months after the restructuring, transfer the equity obtained.

On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains

from Equity Transfer (《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》) (Guo Shui Han [2009] No. 698, the “SAT Circular 698”), which demonstrates SAT’s jurisdiction over the indirect equity transfer of PRC resident enterprises via disposing the equity of a SPV offshore China. Pursuant to the SAT Circular 698, the offshore transferor that interposes a SPV as an intermediate holding company for its investment in the PRC subsidiary will be required to report the indirect transfer of the equity interest of the SPV to the PRC local-level tax bureau in charge of the PRC subsidiary if the effective tax rate of the jurisdiction over the transferee is less than 12.5%, or that jurisdiction does not tax foreign income of the transferee. The PRC tax authorities will examine the true nature of the transfer through such reporting documents and determine whether such transfer constitutes evasion of PRC taxation through abusive arrangement without reasonable commercial purpose. Based on the “substance over form” principle, PRC tax authorities may re-characterize the transfer and disregard the existence of the SPV. Once a SPV is disregarded, the transfer should be effectively treated as non-resident enterprises transferring the PRC subsidiary’s equity, and thus the transfer gain is subject to withholding tax.

Violation of the above-mentioned law, rules or notice may result in the imposition of fines, penalties, suspension of operations, an order to cease operations, or even criminal liability for severe cases.

Labor and Social Insurance

The PRC has many labor and safety laws, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the PRC Social Insurance Law (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for operations in the PRC.

According to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), labor contracts must be in written form and executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The company must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant training to its employees. Employers are also required to provide safe and sanitary working conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the PRC Social Insurance Law (《中華人民共和國社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Provisional Measures on Insurance for Employee Maternity (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), companies are obliged to provide employees in the PRC with welfare schemes covering pensions, unemployment, maternity, work-related injury and medical care.

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PRC Trademark Law

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated on August 23, 1982, and subsequently amended on February 22, 1993 and October 27, 2001. Under this law, any of the following acts is an infringement upon the right to exclusive use of a registered trade mark:

- using a trade mark that is identical or similar to the registered trade mark on the same kind of commodities or similar commodities without a license from the registrant of that trade mark;
- selling commodities that infringe upon the right to exclusive use of a registered trade mark;
- forging or manufacturing without authorization the marks of a registered trade mark of others or selling the marks of a registered trade mark forged or manufactured without authorization;
- changing a registered trade mark and placing the commodities with the changed trade mark without the consent of the registrant of that trade mark; or
- causing other damage to the right to exclusive use of a registered trade mark of another person.

In the event of an infringement, the infringer would be fined, ordered to stop the infringement acts immediately and required to indemnify the infringed party.

PRC Patent Law

According to the PRC Patent Law (《中華人民共和國專利法》), last amended on December 27, 2008, protective patents fall into three categories: invention patents, utility model patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement and the term of protection for invention patents is 20 years from the date of application. Utility model patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or a combination, and the term of protection for utility model patents is ten years from the date of application. Design patents are intended to protect new designs of a product's shape, graphic or color with aesthetic and industrial application value and the term of protection for design patents is ten years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by the patent of any category or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.