REGULATIONS

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

Regulations and Policies Relating to Automotive Industry

The Policy on Automotive Industry Development (《汽車產業發展政策》)

On May 21, 2004, the NDRC promulgated the Policy on Automotive Industry Development (《汽車產業發展政策》) (the "Policy"), which replaced the old automotive industry development policy issued in 1994, as an overall guideline for the automotive industry (including the engines industry and the automotive components and parts industry) in China. The Policy contains provisions relating to, among other things, the PRC automotive industry's technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automotive consumption. One of the Policy's stated aims is to develop the PRC automotive industry into a strong pillar of the PRC national economy.

According to the Policy, China encourages OEMs to further specialize in production and gradually change their internal parts manufacturing units into independent and specialized parts and components manufacturing enterprises.

According to the Policy, China supports engine manufacturers and automotive parts and component manufacturers in establishing product research institutions to form innovative and self-development capabilities. Investment amount in the construction of research facilities of self-development products shall be tax-deductible as long as such investment complies with the relevant tax provisions on promotion of enterprise technological progress and China continues to support large automotive parts and components manufacturers to develop parts and components assembly with proprietary intellectual property and at an advanced level.

According to the Policy, China encourages the automotive industry — in combination with the requirements of the strategy of state energy source structural adjustment and emission standards — to conduct research and industrialize new types of power, such as electric cars, batteries used to power vehicles, and focus on the development of hybrid vehicle technology and diesel engine technology. China will take measures in scientific and technological research, technological transformation, industrialization of new technologies and promoting the production and use of hybrid vehicles.

According to the Policy, enterprises that produce engines, components and parts shall register the self-owned trademarks of the commodities and services of their enterprises, in accordance with the PRC Trademark Law (《中華人民共和國商標法》). The state encourages enterprises to plan for the development and protection of brands, and to make efforts to implement brand-operation strategies.

The Restructuring and Rejuvenation Programme of the Automotive Industry (《汽車產業調整和振興規劃》)

On March 20, 2009, the State Council issued the Restructuring and Rejuvenation Programme of the Automotive Industry (《汽車產業調整和振興規劃》) (the "Programme"), which specifies certain objectives, policies and measures in relation to the automotive industry.

One of the objectives the Programme provided is to boost the restructuring of the automotive industry. The key automotive parts and components manufacturers are encouraged to expand their scale through merger, acquisition and reorganization, and to increase their market share in the domestic and overseas markets.

According to the Programme, China will make more investments in technological progress and innovation to develop key parts and assemblies which will fill domestic vacancies, build platforms for research, development and testing of common technologies of automobiles and spare parts, as well as develop new-energy automotives and special spare parts. Particularly, China aims at achieving the realization of technological independence of key spare parts in engine, transmission, steering system, braking system, drive train system, suspension system and vehicle bus control system, and urges technologies of special spare parts of new-energy automobiles reaching international advanced level. China will provide support on the industrialization of power modules of new-energy automobiles, the upgrade of technologies of internal combustion engines, the industrialization of advanced transmission, the industrialization of key spare parts, and the establishment of independent public testing agencies and automotive key spare part technology centers featured in the organic integration of "production, education and research".

Other Provisions Regarding Automobiles

On June 28, 2012, the State Council issued the Plan for the Development of Energy-saving and New Energy Automotive Industry (2012-2020) (《節能與新能源汽車產業發展規劃（2012-2020）》), pure electric driving force shall be regarded as the main strategic direction for the development of new energy automobiles and the transformation of the automotive industry. At present, China will focus on the promotion of pure electric driving automobiles and plug-in hybrid automobiles, and popularize non-plug-in hybrid automobiles and automobiles with energy-saving internal combustion engine to improve the overall technical proficiency of China's automotive industry.

According to the Automotive Trade Policies (《汽車貿易政策》) issued by MOFCOM on August 10, 2005, China encourages the trade of automotive components (including engine components) to develop into large scale, good brand and networked industry by way of franchise and chain operation. A supplier or dealer of automobiles or automotive components shall intensify the quality management and improve the product quality as well as service quality. No supplier or dealer of automobiles or automotive components may supply or sell any automotive component that fails to comply with the relevant laws, administrative regulations, compulsory standards and the requirements of compulsory product certification of the state. A supplier of automobiles or automotive parts shall inform the general public of the name list of franchised dealers of automotive parts whose accreditation has been granted or abolished on a periodic basis.

According to the China Technologies Category of Encouraged Import (《中國鼓勵引進技術目錄》) jointly formulated by MOFCOM and SAT on December 18, 2006, China encourages enterprises to introduce foreign advanced and applicable technologies into China, such as the design technology, developing technology and product technology in relation to advanced engines.

On February 23, 2012, MOFCOM issued the 12th Five-year Development Plan of Import & Export Electrical and High-tech Products (《機電和高新技術產品進出口"十二五"發展規劃》), providing that China will actively promote bilateral mutual recognition of results of test on automotive products and strengthen the construction of the national export bases for automotive vehicles and components. According to the Plan, automobile was listed as one of the key industries and the enterprises in key industries are encouraged to establish and improve the overseas marketing and sale service network.

In addition, enterprises which engage in manufacturing special vehicles and trailers within the territory of the PRC for domestic use and special vehicle products manufactured thereby shall be in compliance with the provisions of Administrative Rules on the Entry of Special Vehicle & Trailer Manufacturers and Products (《專用汽車和掛車生產企業及產品准入管理規則》) promulgated by the MIIT on June 18, 2009.

According to the Provisions on the Registration of Motor Vehicles (《機動車登記規定》) issued on April 30, 2004 and revised on May 27, 2008 by the Ministry of Public Security and other related laws and regulations, China practices the system of motor vehicle registration. All motor vehicles shall be registered with the traffic administration department of the public security authorities before they can be driven on roads.

In addition, China has adopted a number of national and local regulatory measures regulating motor vehicles and drivers, including but not limited to the Highway Law of the PRC (《中華人民共和國公路法》), the Law of Road Traffic Safety of the PRC (《中華人民共和國道路交通安全法》), and the Administrative Rules on Highway Driving of Overloading Vehicle (《超限運輸車輛行駛公路管理規定》).

Regulations Relating to Project Initiation Approvals

The General Approval Procedures for Engine Manufacturing Projects

The investment project regarding engine manufacturing shall be either subject to the filing with or the approval from relevant authorities. According to the Policy, existing vehicle-use engines manufacturing enterprises, that wish (i) to enlarge the throughput of the existing products using the funds raised by themselves, and (ii) to increase varieties of the products, including establishing production entities without legal person status that undertake the production of the same class of products in a different place, shall be filed with NDRC by the provincial departments of investment administration or by the enterprise groups separately listed under the State planning (計劃單列企業集團). In addition, pursuant to the Circular on Strengthening the Administration of Record-filing of Investment Projects of Vehicle Manufacturers (《關於加強汽車生產企業投資項目備案管理的通知》) issued by the MIIT on March 12, 2009, such investment projects shall be filed with the MIIT by provincial commerce authorities, provincial development and reform authorities, other provincial authorities in charge of industries, or the enterprise groups separately listed under the State planning, or an enterprise directly affiliated to the Central Government (中央直屬企業).

According to the Policy, an investment project purporting to establish a new vehicle-use engines manufacturing enterprise shall be reported to the NDRC for examination by the provincial departments of investment administration or by the enterprise groups separately listed under the State planning. Total investment in newly established vehicle-use engine enterprises shall be no less than RMB1.5 billion, among which the self-owned capital shall be no less than RMB500 million. Research and development institutions shall be established. The products shall meet the requirements of the increasingly improved mandatory requirements of state technical specification.

According to the Circular on Further Improving the Work of Examination and Approval of Foreign Investment (《關於進一步改進外商投資審批工作的通知》) issued by MOFCOM on March 5, 2009, where an existing foreign-invested enterprise with investment in the production enterprises of automotives and vehicle engines increases investment for expansion of the production capacity of similar products and increase of varieties (including newly-established non-corporate production units of similar products in other places), it shall be subject to the examination and approval of the local competent commerce authority. Before the local competent commerce authority approves it, the relevant departments of the local people's government shall complete the examination and approval process of the project or the filing procedure.

Approval of Foreign-invested Projects

The Provisional Measures on the Administration of the Approval of Foreign-invested Projects (《外商投資項目核准暫行管理辦法》) was promulgated by the NDRC on October 9, 2004, which applies to the approval of Sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned

enterprises, domestic enterprises acquired by foreign investors, increases in registered capital of foreign-invested enterprises and other types of foreign-invested projects, projects with total investment below US$100 million that are within the encouraged or permitted categories of foreign investment, or projects with total investment below US$50 million that are within the restricted category of foreign investment must be subject to the approval of local counterparts of the NDRC. Specifically, projects within the restricted category of foreign investment must be verified by provincial counterparts of the NDRC and no delegation of authority is permitted for these projects. A project applicant shall, pursuant to examination and approval documents of the NDRC, go through the formalities of applying for the processing of land use, municipal planning, quality supervision, work safety, resources utilization, registration (modification) of enterprise, capital project management, import of equipment and application of tax policies. Authorities in charge of land, urban planning, quality control, production safety supervision, industrial and commercial administration, customs, taxation and foreign exchange administration, among others, may refuse to carry out the approval formalities in respect of foreign-invested projects that have not been approved.

According to the State Council's Opinions on Further Improving the Use of Foreign Investment (《國務院關於進一步做好利用外資工作的若干意見》) issued by the State Council on April 6, 2010, certain "Encouraged and Permitted Foreign Investment" projects with total investment (including capital increases) of US$300 million or less are subject to approval by local governments, unless the approval by the relevant State Council departments is required under the List of the Government approved Investment Projects (《政府核准的投資項目目錄》). Pursuant to relevant laws, regulations and approvals, departments of the State Council may delegate approval of the establishment of certain foreign invested enterprises to local governments.

Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》)

According to the Catalogue of Industries for Guiding Foreign Investment (2007) (《外商投資產業指導目錄（2007年修訂）》) promulgated jointly by the NDRC and MOFCOM on October 31, 2007, foreign investment in manufacture of engines of automotives, manufacture of renewable engine, and establishment of institutes of engine research and development organization (including manufacture of petrol engine with a power of not less than 50kw per liter, diesel engine under 3L with a power of not less than 40kW per liter, and diesel engine above 3L with a power of not less than 40kW per liter, fuel cell and hybrid fuels, and other new energy engine) are classified under the "encouraged investment category".

On December 24, 2011, the NDRC and MOFCOM jointly promulgated the Catalogue of Industries for Guiding Foreign Investment (2011) (《外商投資產業指導目錄（2011年修訂）》), which became effective on January 30, 2012. The Catalogue of Industries for Guiding Foreign Investment (2011) revised the above industry under the "encouraged investment category" as "Manufacture of automobile engines and establishment of engine research and development institutions: gasoline engines with power of not less than 70 kW per liter, diesel engines with power of not less than 50 kW per liter and displacement of less than 3 liters, diesel engines with power of not less than 40 kW per liter and displacement of more than 3 liters, and engines using new energy resources such as fuel cells and mixed fuels", and removed "Manufacture of complete automobiles (foreign investment less than 50%)" and "establishment of automobile research and development institutions" from the "encouraged investment category", which now fall into the "permitted category" for foreign investment.

PRC Regulations Relating to Engine Production

Production License

According to the Administrative Regulations of the People's Republic of China on Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), which was promulgated

by the No. 440 Order of the State Council on July 9, 2005 and came into force as of September 1, 2005, and the Measures for the Implementation of the Administrative Regulations of the People's Republic of China on Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on November 1, 2005 and amended on April 21, 2010, internal combustion engines, such as diesel engines and universal gas engines, are placed in the "Catalogue of Implementation of Production License Management for Industrial Products (《實行生產許可證制度管理的產品目錄》). Any enterprise that has not obtained a production license for a product listed in such catalogue shall be prohibited from producing the relevant product. No entity or individual may sell or use in the course of business activities any product listed in the Catalogue for which it has not obtained a production license.

Where an enterprise produces any product listed in the aforesaid catalogue without applying for a production license in accordance with these regulations, the government department responsible for production licenses for industrial products shall order it to stop production, confiscate any illegally produced products, and fine the enterprise between one and three times the value of illegally produced products. Any illegal gains shall be confiscated and where the circumstances constitute a crime, criminal liability shall be pursued in accordance with the law.

Any enterprise that seeks to obtain a production license shall meet the following requirements: (i) have a business license; (ii) have professional and technical personnel required for the products it produces; (iii) have production, inspection and quarantine facilities suitable for the products it produces; (iv) have technical and technological documents relating to the products it produces; (v) established a sound and effective quality control system and a system of responsibilities; (vi) have products that comply with relevant national standards, industrial standards and requirements designed to ensure personal health and the safety of personnel and property; and (vii) in compliance with state industrial policy provisions and not be involved in activities such as the use of any outdated technique, high energy costs, pollution of the environment, or the wastage of resources, prohibited by state proclamation or in which investment is prohibited.

The period of validity of a production license shall be five years. During that period, enterprises shall ensure product quality consistency and conformity and submit periodic reports to the department responsible for production licenses for industrial products within the relevant province, autonomous region or municipality directly under the central government.

The State Council department responsible for production licenses for industrial products and the local departments responsible for production licenses for industrial products at or above the county level shall supervise and examine enterprises on a periodic or ad hoc basis. Where it is necessary to inspect a product, the relevant department shall carry out the inspection on the basis of the relevant provisions of the "PRC Law on Products Quality".

"PRC Law on Products Quality" (《中華人民共和國產品質量法》)

According to the PRC Law on Products Quality (《中華人民共和國產品質量法》), which was passed on the 30th Session of the Standing Committee of the 7th National People's Congress on February 22, 1993, revised by the 16th Session of the Standing Committee of the 9th National People's Congress on July 8, 2000, and came into effect on September 1, 2000, producers and salespeople should establish a completed and internal management system for the product quality, strictly implement post-oriented quality regulations (崗位質量規範), quality liabilities stipulations and the corresponding measures for their assessment. Products should pass the quality assessment and those without passing the quality assessment should not pretend to have passed such assessment.

China encourages the use of scientific quality management and advanced scientific technology and promotes that the quality of products should reach and be above the industry standard, the state standard and the international standard.

China also carries out a quality accreditation system for enterprises according to the global quality management standard. Enterprises can apply, of their own will, for the quality certificate from the accreditation institutions that are approved by the quality supervision division of the State Council or approved by the division authorized by the quality supervision division of the State Council.

The quality of products should satisfy the following requirements: (i) no unreasonable risks of personal and property safety, and reaching the state standard and industry standard of securing personal health, personal safety and property safety (if any); (ii) have the functions that the products should have, except for the defect that have been explained; (iii) reach the standards that are stated on the products or its packing and meet the quality stated by product illustration and sample.

For the producers and salespeople who have violated the PRC Law on Products Quality, supervision division of quality technology can order them to cease their production and sale, forfeit the products that are illegally produced and sold, impose a fine on them, forfeit their gains from illegal operation and suspend their business license (as the case may be). If the violation is criminal, the producers and salesmen shall bear criminal responsibility.

In addition, according to the Provisions on the Administration of Recall of Defective Auto Products (《缺陷汽車產品召回管理規定》), jointly promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, the NDRC , the MOFCOM and the General Administration of Customs on March 12, 2004, the manufacturers or importers of automotive products shall recall the defective automotive products they have produced or imported according to the provisions therein, and bear the expenses for eliminating the defects and the necessary transportation fees.

"Standardization Law of PRC" (《中華人民共和國標準化法》)

According to Standardization Law of PRC (《中華人民共和國標準化法》), which was passed on the 5th Session of the Standing Committee of the 7th National People's Congress on December 29, 1988 and came into effect on April 1, 1989, technical requirements for industry products, environmental protection and engineering constructions are required to meet the relevant national standards and trade standards of China. National standards and trade standards are divided into compulsory standards and recommendatory standards. Any entities and individuals that engage in scientific research, production and operation must strictly implement compulsory standards. The production, sale or import of any product that does not conform to compulsory standards shall be handled by the relevant administrative authorities in accordance with the Standardization Law. Where the Standardization Law is silent on such handling, the local SAIC may confiscate the products and any illegal income derived therefrom and impose a fine. In circumstances where serious consequences are incurred and the offence constitutes a crime, the liabilities for responsible personnel may be investigated and established in accordance with law. With respect to products for which national or trade standards have been formulated, enterprises may apply to the standardization administration department under the State Council for product quality certification.

Standards for the discharge of pollutants concerning environmental protection and standards for environmental quality are regulated as the compulsory standards. The compulsory standards we complied with include standards such as Technical Specification for No-board Diagnostic (OBD) System of Compression Ignition and Gas Fuelled Positive Ignition Engines of Vehicles (《車用壓燃式, 氣體燃料點燃式發動機與汽車車載診斷 (OBD) 系統技術要求》) and Durability of Emission Control Systems of Compression Ignition and Gas Fuelled Positive Ignition Engines of Vehicles (《車用壓燃式, 氣體燃料點燃式發動機與汽車排放控制系統耐久性技術要求》) both of which are issued by the Ministry of Environmental Protection of PRC.

In addition, according to the Procedures of the Ministry of Machinery Industry on the Administration of the Standardization of the Automotive Industry (《機械部關於汽車行業標準化管 理辦法》) issued on January 16, 1996, where the recommendatory standards have been adopted by the enterprises, stipulated as a basis in the contracts or regulated by provisions of the governmental department as the compulsive obligations, these recommendatory standards will be enforceable within the enterprise between the parties of contracts or to the extent the said provisions provide.

The Production Safety Law of the PRC (《中華人民共和國安全生產法》)

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), which was adopted at the 28th session of the Standing Committee of the 9th National People's Congress of the People's Republic of China on June 29, 2002 and amended on August 27, 2009, the State Administration of Work Safety (國家安全生產監督管理總局) is in charge of the overall administration of production safety. The production and business operation entities shall set up prominent safety warning marks at the production or business operation sites that have substantial dangerous elements or on the relevant facilities or equipments. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards.

The safety facilities of the newly built or rebuilt or expanded engineering projects of the production and business operation entities (hereinafter referred to as construction projects as a general term) shall be designed, built and put into production and use at the same time as the principal part of the projects. The investment in safety facilities shall be included in the budgetary estimates of the construction projects concerned.

Regulations Relating to Foreign Investment

The M&A Provisions

The M&A Provisions issued by six PRC ministries provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign funded enterprise to conduct asset merger and acquisition. According to the M&A provisions, the foreign investors shall obtain approval from MOFCOM or its local counterpart at the provincial level when they acquire equity or assets of a PRC domestic enterprise. In case a foreign investor merges or acquires a domestic enterprise and obtains the actual right to control it, and in case it involves key industry, has or may have the influence on the state economic security or cause the transfer of the actual control of the domestic enterprise owning famous trademark or having a name of long history, the person concerned shall submit a report thereof to the MOFCOM. The listing transaction abroad of the company with special purpose, which is defined by the provisions as an overseas company directly or indirectly controlled by a domestic company or a natural person for the purpose of making the equities of its actual owned domestic company to be listed abroad, shall be approved by the securities regulatory administration of the State Council.

Circular No. 75

According to the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《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》) ("Circular No. 75"), a PRC domestic resident shall, before establishing or controlling an overseas special purpose company (the "SPC"), bring the prescriptive materials to the local branch of SAFE (the "SAFE Branch") to apply for going through the procedures for foreign exchange registration of overseas

investments, SAFE Branch shall, after examining and checking the materials to the extent there is no mistake, affix the special seal for foreign exchange business for capital account transactions on the "Certificate of Foreign Exchange Registration of Overseas Investments" or the "Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident". Where a domestic resident contributes the assets or stock rights of a domestic enterprise it owns into a SPC, or engages in stock right financing abroad after contributing assets or stock rights into a SPC, it shall go through the procedures for modification of foreign exchange registration of overseas investments with regard to the net asset equities of the SPC it holds. After a SPC accomplishes overseas financing, the domestic resident may, according to the plan on use of funds as stated in the business plans or the prospectus, transfer the funds which ought to be arranged for use inside PRC into PRC. A domestic resident may, after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the SPC. Where a SPC meets with a major capital modification event such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment (the "Major Events"), the domestic resident shall, within 30 days as of the major event, apply to the SAFE Branch for going through the procedures for modification or filing of the foreign exchange registration of the overseas investment.

Regulations on Foreign Exchange

The Foreign Exchange Management Regulations (《外匯管理條例》) promulgated by the State Council on January 29, 1996 as amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯, 售匯及付匯管理規定》) promulgated by the People's Bank of China on June 20, 1996 which became effective on July 1, 1996, apply and provide regulatory provisions to the foreign exchange transactions for foreign-invested enterprises. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in PRC.

According to the Foreign Exchange Management Regulations, China will not impose any restrictions on international payments or transfers on current account. Foreign exchange payments from current account shall, in accordance with the regulations of the SAFE relating to foreign exchange payments and purchases, be made out of own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Any foreign exchange income or payment from capital account shall subject to the approval of or registration with the SAFE. Where any guarantee is to be provided for an overseas purpose, an application shall be submitted to the relevant foreign exchange administrative authority which shall, in light of the assets, liabilities and other circumstances of the applicant, make a decision to approve or decline the application. Where state provisions require that the business scope of an applicant be approved by the relevant competent authority, the applicant shall go through the approval formalities before submitting an application to the relevant foreign exchange administrative authority. After entering into an overseas guarantee contract, an applicant shall make the appropriate registrations with the relevant foreign exchange administrative authority for the overseas guarantee contract.

In addition, according to the relevant PRC law and regulation, where a foreign-invested enterprise seek a loan from its overseas shareholder, it must apply to SAFE or local SAFE department for foreign loan registration certificates and foreign exchange settlements. The aggregate amount of such foreign loans must not exceed the margin between the total investment and registered capital of such foreign-invested enterprises multiplied by the rate of the foreign shareholders' paid-in capital divided by their subscribed capital, and the foreign loans must be registered with the local SAFE department.

According to Notice 142 issued by the SAFE on August 29, 2008, a foreign-invested enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for purposes within the business scope approved by the relevant PRC Government and shall not be used for equity investment unless specifically provided for otherwise. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-invested real estate enterprise. In addition, the use of such settlement of foreign exchange under capital account of foreign-invested enterprises may not be changed without approval from SAFE, and may not be used to repay RMB loans if the proceeds of such loans have not yet been used.

Regulations Relating to Environment Protection

Environment Protection Law of the PRC (《中華人民共和國環境保護法》)

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 by the Standing Committee of the National People's Congress and came into effect on the date of promulgation, establishes the legal framework for environmental protection in the PRC. The competent administrative department of environmental protection under the State Council shall supervise and manage environmental protection work throughout the country in a unified manner. The competent administrative departments of environmental protection of the local people's governments at or above the county level shall supervise and manage environmental protection work within the respective areas under their jurisdiction in a unified manner. According to this law, entities that cause environmental pollution and other social harms are required to introduce environmental protection in their operation plan and establish an accountability system on environmental protection. Enterprises have to adopt effective measures to prevent and control the pollutions and harms by the exhaust gas, waste water, waste residue, dust, odor, radioactive substance, noise, vibration and electromagnetic wave radiation produced during the production and other activities.

Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the competent administrative department of environmental protection that examined and approved the environmental impact statement.

Enterprises that discharge pollutants in their operation have to report and register according to the requirements of the environmental protection administrative competent division of the State Council. Enterprises that discharge pollutants exceeding the state or local standard of pollutant discharge have to pay the pollutant discharge fee for the additional discharge in accordance with the state requirements and be responsible for the remediation of the pollution.

Environmental Impact Appraisal Law (《中華人民共和國環境影響評價法》)

The Environmental Impact Appraisal Law (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2002 which became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 which became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated by the State Environmental Protection Administration of China on December 27, 2001 which became effective on February 1, 2002, require enterprises planning construction projects which have impacts on the environment to engage qualified

professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work.

Regulations on Administration of Collection and Use of Pollutant Discharge Fees (《排污費徵收使用管理條例》)

In accordance with the Regulations on Administration of Collection and Use of Pollutant Discharge Fees (《排污費徵收使用管理條例》) promulgated by the State Council on January 2, 2003 and effective as of July 1, 2003, as well as Administrative Measures for Pollutant Discharge Fee Imposition Standards (《排污費徵收標準管理辦法》) jointly promulgated by the NDRC, MOF, the State Environmental Protection Administration of PRC, and the State Economic and Trade Commission of PRC on February 28, 2003, any entity which directly discharges the pollutants to the environment shall pay a fee for discharge in accordance with law. Types and amounts of discharge fees shall be verified by the environmental protection administration of the local people's government above county level as per the verification authority specified by State Environmental Protection Administration of China, and shall be communicated to the entities discharging the pollutants.

Law of PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣 污染防治法》)

According to the Law of PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was adopted on September 5, 1987, first revised on August 29, 1995, second revised on April 29, 2000, and came into effect on September 1, 2000), the projects under establishment, expansion and reconstruction that discharge atmospheric pollutants have to comply with the state environmental protection administrative requirements relating to construction projects. Enterprises that discharge polluted gas should report to the environmental protection administrative competent division in the place where the enterprises are located for their equipments that discharge pollutants, the facilities that dispose pollutants, and the type, amount and concentration of the pollutants under their ordinary operation. Enterprises are also required to provide the related technology information about the prevention and control of atmospheric pollution. The concentration of the pollutants must not exceed the state and local standard of discharge.

Enterprises should also apply a clean production process that has a high utilization rate of energy and low pollutant discharge, and reduce the production of pollutants.

Cleaner Production Promotion Law (《中華人民共和國清潔生產促進法》)

According to the Cleaner Production Promotion Law (《中華人民共和國清潔生產促進法》), which was promulgated by the 28th Session of the Standing Committee of the 9th National People's Congress on June 29, 2002, and came into effect on January 1, 2003, as amended on February 29, 2012 the purchase and use of recycled products that are beneficial to the environmental and resource protection are encouraged as a priority. This law also encourages the use of technology and equipment with a high utilization rate of resources and which cause less pollutant and the displacement of technology and equipment with a low utilization rate of resources and which cause more pollutant. This law also encourages the integrated and recurring use of the waste materials produced during the production process. The law also requires enterprises to recycle and reuse wastes that are produced during the production process whenever economically and technologically feasible or to transfer the wastes to other enterprises or individuals that have such economic and technological conditions.

If the pollutant discharge is in excess of the state and local standard of discharge or exceeds the control standard of total pollutant discharge required by the local government, the enterprises should examine the clean production process.

Measures on Supervision of Exhaust Pollution from Automotives (《汽車排氣污染監督管理辦法》)

According to the Measures on Supervision of Exhaust Pollution from Automotives (《汽車排氣污染監督管理辦法》) which was jointly promulgated by the Ministry of Public Security, Ministry of Communications, State Import and Export Commodity Inspection Bureau, People's Liberation Army General Logistics Department, China Automobile Industry Corporation and State Environmental Protection Administration of PRC on August 15, 1990, all individuals and entities, who produce, modify, use, and repair imported automotives or engines, must implement these measures.

Administrative of production of automotives and their engines must put the emission pollution index of the automotives and their engines as one of product quality indexes. Enterprises producing automotives and their engines must be equipped with necessary facilities of testing the emission pollution, and examining section of the enterprise shall, in accordance with the standard, conduct strict inspection of products leaving the factory, and products failing to meet national standards shall not be allowed to leave the factory.

The finalized design of new automotives and their engines (not including those re-assembled new automotives adopting the set automotive chassis) must include emission pollution index, and related materials shall be submitted to the department administrating the enterprise and in charge of environmental protection administration in the province, autonomous region or municipality for record. Emission of automotives and their engines shall be sampled and tested by inspecting and examining institutions approved by administrative departments of the environmental protection of provinces, autonomous regions and municipalities. The time of sampling and testing shall not be more than once each quarter, and less than twice each year. Products failing to meet the national emission standard must not be allowed to leave the factory. Enterprises whose automotive and engine products fail to meet or fail to meet stably the national emission standard shall be ordered to meet the national standard stably within a limited time.

The Technical Policy for the Recovery of Automotive Products (《汽車產品回收利用技術政策》)

According to the Technical Policy for the Recovery of Automotive Products (《汽車產品回收利用技術政策》), which was announced by the NDRC, the MST and the State Environmental Protection Administration on February 6, 2006, in the design and production of any automotive product to be sold in China, the dismantlability and easiness of dismantlement after the discarding of the product shall be taken into full consideration, and the principle of being easy to sort out different kinds of materials shall be followed. Priority shall be given to the adoption of technologies and techniques that can utilize the resources in a highly efficient manner, produce little pollutants, and are conducive to the recovery of the product after discarding. The level of technologies for the design and production of automotive products shall be enhanced. A supporting enterprise of automotive components shall provide the automotive production enterprises with the composition, structural design or dismantlement guide, content and nature of the harmful substances, methods for the disposal of wastes, and other information relevant to the components it supplies so as to help the complete automotive production enterprises calculate the recoverability rate of their respective products.

Taxation Laws and Regulations

PRC Enterprise Income Tax Law

Prior to January 1, 2008, foreign-invested enterprises paid enterprise income tax pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) promulgated by the Standing Committee of National People's Congress in 1991 ("Prior EIT Law") and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to

enterprise income tax at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from enterprise income tax for two years starting from the first profit-making year and followed by a fifty percent reduction of the enterprise income tax in the next three consecutive years.

On March 16, 2007, the National People's Congress passed the PRC EIT Law, with effect from January 1, 2008. The PRC EIT Law adopted a uniform tax rate of 25% for both domestic enterprises and foreign-invested enterprises and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》) issued on December 26, 2007 and effective on January 1, 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradual transition to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential enterprise income tax treatments with fixed terms before the effectiveness of the PRC EIT Law may continue to enjoy the preferential enterprise income tax treatments until their expiration. However, for those enterprises not profitable enough to enjoy preferential enterprise income tax treatments, the fixed terms for the preferential treatments shall commence on January 1, 2008.

Under the PRC EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% tax rate for their global income. According to the implementation rules of the PRC EIT Law, "de facto management body" refers to a managing body that exercises, in substance, material and overall management and control over the production and business, personnel, accounting and assets of an enterprise. In addition, any gain realized on the transfer of ordinary shares by a non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty otherwise provides.

According to the Circular of the SAT on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Standards of de facto Management Body (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關 問題的通知》), promulgated on April 22, 2009 and effect from January 1, 2008, a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside in the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are

derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

According to the Notice of the State Council on the Implementation of Several Policies for the Western China Development Plan (《國務院關於實施西部大開發若干政策措施的通知》) promulgated by the State Council on October 26, 2000 and the Notice on Issues Concerning Preferential Tax Policy for the Western China Development Plan (《關於西部大開發稅收優惠政策問題的通知》) issued by the MOF, General Administration of Customs and the SAT on December 30, 2001, for domestic enterprises and foreign-invested enterprises in the western regions that are in an industry sector encouraged by the state, enterprise income tax should be levied at a tax rate of 15% during the period between 2001 and 2010. According to the Notice of Relevant Issues on Tax Policy for Further Implementation of the Western China Development Plan (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) issued by the MOF, the General Administration of Customs and the SAT on July 27, 2011, enterprises in encouraged industries that are established in the western region may continue to enjoy the reduced tax rate of 15% for another ten years from January 1, 2011 to December 31, 2020.

An enterprise, which is recognized as a High and New Technology Enterprise by the relevant authorities in accordance with the Administrative Measures for Certification of New and High Technology Enterprises (《高新技術企業認定管理辦法》) circulated by the MST, MOF and SAT on April 14, 2008, may apply for preferential tax policy in accordance with the PRC EIT Law and the implementation rules thereof, and the Law of the People's Republic of China Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》). According to the PRC EIT Law, high and new technology enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction of 15%.

Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises 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》) or the Circular 698, issued by SAT on December 10, 2009 with retroactive effect from January 1, 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax evasion, the tax authority may disregard the existence of the overseas holding company that is used for tax evasion purposes and re-characterize the Indirect Transfer.

On March 28, 2011, the SAT released the SAT Public Notice (2011) No. 24, or SAT Public Notice 24, to clarify several issues related to Circular 698. SAT Public Notice 24 became effective on April 1, 2011. According to SAT Public Notice 24, the term "effective tax" refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term "does not impose income tax" refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the country or region where the overseas holding company is a resident.

Tax on dividends from PRC Enterprise with foreign investment

According to the Circular of MOF and SAT on Several Preferential Policies Relevant to Enterprise Income Tax (《財政部, 國家稅務總局關於企業 所得稅若干優惠政策的通知》), the undistributed

profits earned by foreign investment enterprises prior to January 1, 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after January 1, 2008 shall be subject to PRC withholding tax pursuant to the PRC EIT Law.

The PRC EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. Its implementation rules reduced the rate from 20% to 10% which was effective from January 1, 2008. The PRC and Hong Kong signed the Arrangement between the Mainland and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on August 21, 2006. According to the arrangement, no more than a 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that has held at least 25% of the capital of the PRC company in any time in the 12 months before the dividend distribution. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

In accordance with the circular issued by SAT in relation to How to Understand and Determine "Beneficial Owners" under Tax Conventions (《國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知》), a beneficial owner is a person who has both ownership and right of control over the income or the assets or rights generating the income and generally must be engaged in substantive business. A Hong Kong resident entity also needs to be a beneficial owner so as to enjoy the preferential tax treatment.

Value Added Tax

The Provisional Regulations of PRC Concerning Value Added Tax (《中華人民共和國增值稅暫行條例》) (the "VAT Regulations") were promulgated by the State Council on November 10, 2008 and came into effect on January 1, 2009. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Business Tax

The Provisional Regulations of PRC Concerning Business Tax (《中華人民共和國營業稅暫行條例》) (the "Business Tax Regulations") was promulgated by the State Council on November 10, 2008 and came into effect on January 1, 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The amount of tax payable equals the business income times the applicable tax rate. The business income shall be calculated in RMB. Taxpayers that settle their amounts of business income in currency other than RMB shall convert the amounts into RMB.

PRC Customs Duties

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the NPC on July 8, 2000 which came into effect on January 1, 2001, the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The Customs is the authorities in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under *ad valorem* duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw material, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies. But after the adjustment of policies as of April 1, 1996, such exemption and reduction has been terminated, while the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within the grace period.

As from January 1, 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment (《國務院關於調整進口設備稅收政策的通知》), in respect of the foreign investment projects that fall under Encouraging Category and Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment and also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

Vehicle Acquisition Tax

According to the Tentative Regulations of the People's Republic of China on Vehicle Acquisition Tax (《中華人民共和國車輛購置稅暫行條例》) promulgated by the State Council on October 22, 2000 and came into effect on January 1, 2001, all entities and individuals who acquire motor vehicles, which include motor cars, motorcycles, tramcars, trailers and agricultural lorries, within the territory of the PRC shall pay Vehicle Acquisition Tax in accordance with the provisions therein.

Vehicle Acquisition Tax shall be calculated using ad valorem rate, in accordance with the following formula: Vehicle Acquisition Tax payable = Taxable value × Tax rate. The Vehicle Acquisition Tax rate is 10%. Adjustments to the scope of charge and the Vehicle Acquisition Tax rate shall be determined and announced by the State Council.

Vehicle and Vessel Tax

According to the Law of the People's Republic of China on Vehicle and Vessel Tax (《中華人民共和國車船稅法》) promulgated by the State Council on February 25, 2011 and came into effect on January 1, 2012, owners or managers of the vehicles and vessels within the territory of the PRC shall pay Vehicle and Vessel Tax in accordance with the provisions therein. The applicable tax amount for vehicles and vessels shall be executed according to the Table of Items and Amounts for Vehicles and Vessels Taxes attached in these regulations. According to the Regulation on the Implementation of the Vehicle and Vessel Tax Law of the PRC (《中華人民共和國車船稅法實施條例》) which became effective on January 1, 2012, energy-saving and new energy vehicles and vessels may enjoy reduction or exemption of the vehicle and vessel tax.

Regulations Relating to Intellectual Property

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Madrid Agreement on the International Registration of Marks (《商標國際註冊馬德里協定》), Patent Cooperation Treaty ("PCT") (《專利合作條約》), Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (《國際承認用於專利程序的微生物保存布達佩斯條約》), the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs") (《與貿易有關的知識產權協定》), the Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》) and the World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權條約》).

Regulations on Patents

Under the revised Patent Law of the PRC (《中華人民共和國專利法》) promulgated on December 27, 2008 and effective on October 1, 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

According to the Patent Law of the PRC, the "first to file" principle is adopted for the patent application, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for the sake of an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

According to PCT to which China is a signatory, applications for the protection of inventions in any of the contracting states of the PCT may be filed as international applications.

Regulations on Trademarks

Both Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the National People's Congress Standing Committee in 1982 and amended in 2001, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the SAIC (國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten-years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law of the PRC, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorization; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorization, or selling the marks of a registered trademark forged or manufactured without authorization; (iv) altering another party's registered trademark without authorization and selling goods bearing such an altered trademark; and (v) causing other damage to the right to exclusive use of a registered trademark of another person.

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

Trademark license agreements must be filed with the Trademark Office under the SAIC or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

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

Regulations on Domain Names

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

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

Labor Law and Regulations

Enterprises in China are mainly subject to the following PRC labor laws and regulations: Labor Law of the PRC (《中華人民共和國勞動法》), the PRC Social Insurance Law (《中華人民共和國社會保險法》), the PRC Labor Contract Law (《 中華人民共和國勞動合同法》), the Regulation on Paid Annual Leaves of Employees (《職工帶薪年休假條例》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Regulations on Unemployment Insurance (《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 (《社會保險費征繳暫行條例》), the Administrative Regulation on Housing Fund (《住房公積金管理條例》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Pursuant to Labor Law of the PRC companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Labor Contract Law, which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and came into effect on January 1, 2008. Pursuant to the PRC Labor Contract Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Employers are required to enter into non-fixed term employment contracts with employees who have worked for them for more than 10 consecutive years or for whom a

fixed term employment contract has been concluded for two consecutive times, unless otherwise provided in the PRC Labor Contract Law. Employers may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause unless there exists special circumstances as stipulated in the PRC Labor Contract Law Implementation Rules as well as other PRC laws for the termination of the employment contracts by the employer. Employers are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, except for certain circumstances prescribed in the PRC Labor Contract Law including where an employee voluntarily rejects an offer to renew the contract where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in the circumstances where (i) the term of service is more than six months but less than a year, the amount of severance payment shall be calculated the same as a full year of service; (ii) the term of service is less than six months, the employer shall pay half a month's wage to the employee as severance payment; and (iii) the employee's monthly wage is more than three times the local average monthly wage of the preceding year announced by the local relevant PRC Government, the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by the number of years of service which cannot exceed a maximum of 12. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law.

Pursuant to the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on January 1, 2008, employees who have continuously worked for more than one year are entitled to paid holidays ranging from 5 to 15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salary for each holiday waived.

As required under the Regulation of Insurance for Work-Related Injury, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Administrative Regulation on Housing Fund, enterprises in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance, medical insurance and housing accumulation fund.