

This section sets out summaries of certain aspects of the PRC laws and regulations, which are relevant to our Company's operation and business.

PRC LAWS RELATING TO INVESTMENT IN THE CRYSTALISED STONE (微晶玻璃) INDUSTRY

Under the Tentative Regulation to Promote the Adjustment of Industrial Structure (促進產業結構調整暫行規定) issued on December 2, 2005 and Guiding Catalogue of Industrial Structure for Adjustment (Version 2011) (產業結構調整指導目錄(2011年本)) issued on March 27, 2011 and effective as of June 1, 2011, the development and application of the technologies and equipment for glass processing (玻璃深加工工藝裝備技術開發與應用) is listed as encouraged industries, for which the PRC Government will increase its support.

According to the Catalogue for the Guidance of Foreign Investment Industries (amended in 2011) (外商投資產業指導目錄(2011年修訂)) issued on 24 December 2011, effective on January 30, 2012 (the "Catalogue"). The Catalogue is a long-standing tool that PRC policymakers have used to manage and direct foreign investment. The Catalogue divides industries into three basic categories: encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically barred in other PRC regulations. Foreign-invested enterprises in encouraged industries are often permitted to establish wholly foreign-owned enterprises. Parts of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese partner as the majority shareholder. Restricted category projects are also subject to higher-level government approvals. Industries in the prohibited section are closed to foreign investment. Crystallised stone production should belong to the encourage category.

PRC LAWS RELATING TO THE INDUSTRY

Relevant Industry Standards

According to the Interim Regulation on the Quality Supervision and Inspection of Building Material Industrial Products (建築材料工業產品質量監督檢驗暫行條例) ("**Interim Regulation**") promulgated by the State Bureau of Building Materials Industry and implemented on 24 December 1987, an enterprise engaging in the production of building materials shall have its products tested and shall exercise supervision over the quality of its products. The Interim Regulation also stipulates that the State Bureau of Building Materials Industry is responsible for the planning and establishment of national building materials supervision and testing centres (the "**Testing Centres**"), which shall supervise and test building materials in accordance with various national standards. According to the Administrative Regulations on the Authorization of National Product Quality Supervision and Testing Centre (國家產品質量監督檢驗中心授權管理辦法) promulgated by the Certification and Accreditation Administration of the PRC (國家認證認可監督管理委員會) in 2007, agencies engaging in the testing of building materials on behalf of the Testing Centres shall be authorised by the Certification and Accreditation Administration of the PRC and operate within their respective scope of authority.

On September 2, 2010, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (國家質量監督檢驗檢疫總局) and Standardisation Administration of the People's Republic of China (國家標準化管理委員會) jointly publicised a new national mandatory standard GB6566-2010—Limitation for the Radioactive Nuclide from Building Materials (建築材料放射性核素限量), which was implemented on July 1, 2011.

Regarding the materials used inside the building or on the exterior of the building, GB6566-2010 Limitation for the Radioactive Nuclide from Building Materials classifies them into A, B and C categories from the lowest to the highest according to the level of radiation. The production, marketing and range of usage of decoration materials under the category of A are not limited. The decoration materials under category B can not be used on the interior finishes of civilian building of I Class (including residence, the elderly' apartment, nursery, hospital, school, office building and hotel). The decoration materials under category C can be only used on exterior of the building or outside the building for other purposes.

Incorporation, Operation and Management of Wholly-Foreign Owned Enterprise

The incorporation, operation and management of a company in the PRC shall be subject to the Company Law of the PRC (中華人民共和國公司法) (the “**PRC Company Law**”) which was promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”) on 29 December 1993 and became effective on 1 July 1994 and was afterwards amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The PRC Company Law has mainly stipulated two kinds of corporations i.e. limited liability company and joint stock limited company. Foreign investment company is also subject to the PRC Company Law, unless it is otherwise provided by the foreign investment laws.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting, tax, employment and all other relevant matters of wholly foreign-owned enterprise shall be subject to the PRC Laws on Wholly Foreign Owned Enterprises (中華人民共和國外資企業法) promulgated by the SCNPC on 12 April 1986 (which was amended on 31 October 2000) and the Implementation Rules of the PRC Law on Wholly Foreign Owned Enterprises (中華人民共和國外資企業法實施細則) promulgated by the State Council on 12 December 1990 and revised on 12 April 2001.

As at the Latest Practicable Date, the PRC subsidiaries of our Group have obtained the relevant approval and business licences for its incorporation and operation.

Taxation

Income tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the “**EIT Law**”), which was promulgated on March 16, 2007 and became effective on January 1, 2008, the income tax rate for both domestic and foreign-invested enterprises shall be 25% commencing from January 1, 2008. The EIT Law provides certain transitional arrangements for the enterprises established prior to March 16, 2007 (i) where the foreign-invested enterprises enjoyed reduced tax rates under the then effective laws and regulations, such reduced tax rate shall be gradually increased to coincide with the Income Tax Law within five years starting from 2008; and (ii) where the foreign-invested enterprises are entitled to tax holidays for a

fixed period under the then effective laws and regulations, such tax holidays may continue calculation until expiry. However, if the enterprise fails to enjoy the tax holiday due to a lack of profit, year of 2008 shall be regarded as the first profit-making year and the tax holiday shall be calculated since 2008. In order to clarify some provisions in the EIT Law, the Implementation Regulation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) was promulgated on December 6, 2007 and became effective on January 1, 2008.

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, enterprises which previously enjoy the 15% preferential tax rate shall gradually transit from this preferential tax rate to the unified 25% tax rate within five years commencing from January 1, 2008. The transitional tax rates applied to such enterprises are 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Enterprises which previously enjoy the 24% preferential tax rate shall apply the unified 25% tax rate from January 1, 2008.

Under the EIT Law and the Implementing Regulations, High-tech enterprises necessary to be supported by the State on a priority basis are entitled to a preferential tax rate of 15% if they are satisfied with certain conditions, including they own their core intellectual properties and their products or services fall into the scope of certain State-supported high-tech industries specified by the government, etc., and obtain the certificate of “High-tech enterprise” in accordance with the relevant regulations, specially according to the Administrative Measures for Determination of High-tech 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 the State Administration on Taxation on April 14, 2008 with effect from January 1, 2008 and the Guidelines for the Management of Recognition of High and New Technology Enterprise (高新技術企業認定管理工作指引) issued on July 8, 2008, a High-tech enterprise shall meet the following conditions:

- (a) being an enterprise registered in China (excluding Hong Kong, Macao and Taiwan regions) and owns the independent intellectual property rights in the core technology of its main products (or services) through its own independent research and development, assignment, endowment, mergers and acquisitions, etc. during the past three years, or through an exclusive license therefor of at least five years;
- (b) its products (or services) falling within the scope of certain State-supported Hi-tech industries specified by the State on a priority basis;
- (c) science and technology personnel who have received tertiary education or above accounted for at least 30% of its total workforce during the years in question, and the research and development personnel therein accounted for at least 10% of its total workforce during the years in question;
- (d) engages in research and development activities on an ongoing basis in order to obtain new scientific and technological (excluding humanities and social science) knowledge, creatively apply new scientific and technological knowledge or substantively improve its technology,

products (or services) and, during the most recent three financial years, the percentage of its total sales revenues accounted for by its total research and development expenses should be in line with the following requirements:

- (i) for an enterprise with sales revenue of less than RMB50 million during the most recent year, a percentage of not less than 6%;
 - (ii) for an enterprise with sales revenue of at least RMB50 million but less than RMB200 million during the most recent year, a percentage of not less than 4%;
 - (iii) for an enterprise with sales revenue of at least RMB200 million during the most recent year, a percentage of not less than 3%; furthermore, its total research and development expenses incurred within territory of the PRC shall account for not less than 60% of the total expenses of the research and development; in the event that the enterprise has been incorporated for less than three years, the calculation shall be made in accordance with the actual number of years it has been in operation;
- (e) the revenue from its hi-tech products (or services) accounted for at least 60% of its total revenue for the year in question; and
- (f) its indicators such as the management level of its research and development organisation, capacity to apply practically its scientific and technological achievements, the quantity of its independent intellectual property rights, sales and total assets growth, etc., shall be in line with the requirements set forth in the Guidelines for the Management of Recognition of High and New Technology Enterprise, the aforesaid four indicators are used to evaluate the enterprise's technology resources for innovation, management innovation, innovation to achieve results, etc., and to take a weighted scoring method that is required to achieve more than 70 points.

The validity period of the high-tech enterprise qualification shall be three years from the date of the High-tech Enterprise Certificate. The enterprise may apply for an extension review within three months prior to the expiration thereof.

In addition, according to the Notice of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax for High-tech Enterprises 國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知(國稅函[2009]203號) on April 22, 2009, notwithstanding the qualification of High-tech enterprise, if an enterprise fails to comply with the requirements and conditions for High-tech enterprises specified in the aforesaid regulations, it cannot enjoy the tax preference or the payable enterprise tax which has been reduced or exempted due to such tax preference shall be recovered.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which was amended on November 5, 2008 and became effective on January 1, 2009, all entities or individuals in the PRC engaged in the sales of goods, the processing services, repair and replacement

services, and the importation of foods are required to pay value-added tax (the “VAT”). VAT payable is calculated as “output VAT” minus “input VAT,” and the rate of VAT is 17% or in certain limited circumstances, 13%, depending on the products concerned, and 3% as to the small-scale tax payer.

Foreign Currency Exchange and Dividend Distribution

Foreign currency exchange

Pursuant to the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “Foreign Exchange Administration Rules”), which was promulgated by the State Council of the PRC (中華人民共和國國務院) on January 8, 1996 and was amended on January 14, 1997 and August 1, 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of the State Administration of Foreign Exchange (國家外匯管理局) (“SAFE”) is obtained. The income of foreign exchange of domestic institutions or individuals can be transferred back into China or deposited overseas. The specific requirements and term related to the transfer or deposit shall be prescribed by the foreign exchange administration department of the State Council in light of the balance of international payment and the status of foreign exchange administration.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad which are subject to registration with SAFE and approval or file with the relevant governmental authorities (if necessary).

Dividend distribution

Before the promulgation of the EIT Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprise include the Wholly Foreign-owned Enterprise Law and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law and the relevant rules issued by the State Administration of Taxation (國家稅務總局). Under these regulations, wholly foreign-owned enterprise in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempted from withholding tax. However, this provision was revoked by the EIT Law. The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. Subsequently, the Implementation Regulation of the Enterprise Income Tax Law of the PRC reduced the rate from 20% to 10%, effective from January 1, 2008.

The PRC and the government of Hong Kong signed Arrangement between the Mainland of the PRC 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政府關於對所得稅避免雙重徵稅和防止偷漏稅的安排) (the “Arrangement”) on August 21, 2006. According to the Arrangement, no more than 5% withholding tax

rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of a PRC company. 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. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible.

Product Quality

The Interim Regulation of Supervision and Inspection for the Quality of Building Materials and Industrial Products (建築材料工業產品質量監督檢驗暫行條例) (promulgated on December 24, 1987) stipulates that the building material enterprise must, under the plant manager's direct leadership, set up independent, professional institutions for inspection of product quality, undertake the task of inspection during the producing process and supervise the products manufactured by the enterprise. The enterprise should perfect the quality inspection network which combines three-level inspection among administrative office (or management), workshop and teams and groups with the self-inspection, mutual inspection, special inspection, and should seriously implement the technical standards and inspection system to ensure product quality.

The Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) was promulgated on 22 February 1993 and amended on 8 July 2000 and August 27, 2009.

Pursuant to the Product Quality Law, a seller is obliged:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;
- not to sell defective or deteriorated products or products which have been publicly ordered to cease sales;
- to sell products with labels that comply with the relevant provisions;
- not to forge the origin of a product, or to forge or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Pursuant to the Product Quality Law, a producer shall:

- be responsible for the quality of products it produces;
- not produce products that have been publicly ordered to cease production;
- not forge the origin of a product, or to forge or falsely use the name and address of another producer;
- not forge or falsely use product quality marks such as authentication marks;
- not mix impurities or imitations into the produces, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production;
- ensure that the marks on the products or the packaging of the products are true; and
- ensure that, for products that are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carry warning marks or warning written in Chinese or draws attention to the method of handling in accordance with the relevant provisions of the state.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business license may be revoked. Criminal liability may incur in serious cases.

According to the Product Quality Law, consumer or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller, Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

The Law of the PRC on Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated on October 31, 1993 and amended on August 27, 2009 and became effective on January 1, 1994 to protect consumers' rights when they purchase or use goods or services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers.

The PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective on July 1, 2010, provides where a product endangers personal life or property due to its defect, the manufacturers and the distributors shall bear liability in tort.

Work Safety

The State Administration of Work Safety of PRC (國家安全生產監督管理總局) is the government authority exercising control and supervision of work safety nationwide. Pursuant to the PRC Work Safety Law (中華人民共和國安全生產法), promulgated on June 29, 2002 and amended on August 27, 2009, an enterprise must meet the safety production conditions as stipulated by the PRC laws and regulations and State or industry standards to commence its operations. Any entities that do not comply with such safety conditions will not be allowed to be engaged in any production or operating activities. Production and operating units should provide education and training programs to their employees regarding production safety. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, production and operating units should provide employees with protective equipment that meet national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations and operation procedures of the relevant units regarding safety.

Intellectual Property Rights

China has adopted comprehensive legislation governing intellectual property rights, including trademarks, patents and copyrights. China has adhered to the main international conventions on intellectual property rights and has become a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001.

Patent Law

The National People's Congress adopted the Patent Law of the PRC (中華人民共和國專利法) (the "Patent Law") in 1984, and amended it in 1992, 2000 and 2008. The purpose of the Patent Law is to protect the lawful interest of patentee and encourage invention, foster applications of invention and promote the development of science and technology. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局) which is directly affiliated to the State Council is responsible for receiving, examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights. Any contract for licensing of the exploitation of a patent is required to be filed with the patent administration department under the State Council within three months from the date of effectiveness.

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (中華人民共和國商標法) (the "Trademark Law") adopted in 1982 and amended in 1993 and 2001. The PRC Trademark Office of the States Administration of Industry and Commerce (國家工商行政管理總局商標局) is responsible for the

registration and administration of trademarks throughout China. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person rush register a trademark that has already been used by others and has become influential. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

Regulations on Domain Names

The Ministry of Information Industry of the PRC (中華人民共和國信息產業部), which has changed to the Ministry Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), re-promulgated its Administrative Measures on China Internet Domain Names (中國互聯網絡域名管理辦法) (“**Measures**”) in 2004. According to the Measures, applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institution. The applicants could become the holder of such domain names upon the completion of the registration procedure. The measures prohibit the registration and use of domain names with any content that may:

- violate the basic principles set forth in the Constitution Law of the PRC (中華人民共和國憲法);
- jeopardize state security, disclose any State secret, subvert state authority or harm national unity;
- damage national dignity or interests;
- incite ethnic hatred or discrimination or damage ethnical unity;
- harm State religious policies or advocate heresy or feudal superstition;
- disseminate rumors, disrupt social order or sabotage social stability;
- disseminate obscenity, pornography, gambling, violence, murder, terror or induce crimes;
- humiliate or defame any other person, or infringe the legal interests of any other person; or

- be otherwise prohibited by the PRC laws and regulations.

Labour

Pursuant to the PRC Labour Law (中華人民共和國勞動法) effective as of January 1, 1995, the PRC Labour Contract Law (中華人民共和國勞動合同法) effective as of January 1, 2008, and the Implementation Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) effective as of September 18, 2008 (collectively, the “Labour Laws”), employers are obliged to enter into written labour contracts with employees within one month from the date that they start employing the employees. The employers shall comply with the Labour Laws in many aspects including with no limitation to compensating their employees with wages in an amount equal to or above the local minimum wage standards, establishing and perfecting a labour safety and sanitation system. Violations of the Labour Laws may result in the imposition of fines or other administrative liabilities. Criminal liability may arise for serious violations.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) (the “**Social Insurance Law**”) promulgated on October 28, 2010 and effective as of July 1, 2011, employers in the PRC should register social insurance with the social insurance authorities within 30 days from establishment and register social insurance for their employees with the social insurance authorities within 30 days from the employment. The employers should also make contributions to the basic medical insurance fund, basic pension insurance fund, occupational injury insurance fund, maternity insurance fund and unemployment insurance fund for their employees.

According to the Administrative Regulations on Housing Provident Funds (住房公積金管理條例) promulgated by State Council and came into effect on 3 April 1999 and was afterwards amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative center of housing provident funds and make contributions for their staff.

Foreign Trade and Customs

Pursuant to the PRC Foreign Trade Law (中華人民共和國對外貿易法) (the “**Foreign Trade Law**”) adopted on May 12, 1994 and amended on April 6, 2004 by the Standing Committee of the NPC and effective as of July 1, 2004, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations. Any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby, unless it is otherwise provided for by any law, administrative regulation or the foreign trade department of the State Council.

Pursuant to the PRC Regulations on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) (the “**Import and Export of Goods Regulations**”), promulgated on December 10, 2001 and effective as of January 1, 2002, set out the detailed rules on the import and export of goods system as provided for by the Foreign Trade Law. For goods subject to import quotas, enterprises shall submit their applications for the intended import quotas for the year after in August each year. For goods subject to export quotas, such application shall be submitted in the first half of November each year. The

Import and Export of Goods Regulations further stipulates that the foreign trade department under the State Council may implement an authorised dealer system for certain goods, according to which only authorised dealers are allowed to engage in the import and export of the relevant goods.

Pursuant to the PRC Customs Law (中華人民共和國海關法) adopted on January 22, 1987 and amended on July 8, 2000 by the Standing Committee of the NPC and effective as of January 1, 2001, unless otherwise provided, all imported and exported goods shall be declared and duties on them shall be paid by their consignor or consignee, or by a declaration enterprise entrusted by the consignor or consignee and approved by and registered with the customs. No enterprises or persons can make declarations without registering with customs or obtaining the relevant qualifications for declaration in accordance with the laws.

Environmental Protection

We are subject to various PRC environmental protection laws and regulations promulgated by the central and local governments. These laws and regulations set out environmental protection measures in construction projects, use, discharge and disposal of toxic and hazardous materials, discharge and disposal of waste water, solid waste and waste gases, and control of industrial noise. The Ministry of Environmental Protection (中華人民共和國環境保護部) is responsible for the overall supervision and administration of environmental protection in the PRC.

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) effective as of December 26, 1989, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and any damage caused to the environment, such as waste gas, waste water, waste residues, dust and noises generated during manufacturing or other activities. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. Units which are involved in manufacture, storage, transportation, sale and use of toxic chemicals and materials containing radioactive substances shall comply with the relevant regulations to prevent environmental pollution. The relevant authorities are authorised to impose various types of penalties on persons or entities in violation of the environmental regulations. The penalties which could be imposed include issue of a warning, suspension of operation or installation of facilities which are incomplete or fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

According to the Law of the PRC on Appraising of Environment Impacts (中華人民共和國環境影響評價法) which came into effect on September 1, 2003, the PRC government has set up a system to appraise the environmental impact of construction projects, and to classify and administer environmental impact appraisals in accordance with the degree of the environmental impact. If the construction project may result in a material impact on the environment, an environmental impact report thoroughly appraising the potential environmental impact is required. If the construction project may result in a slight impact on the environment, an environmental impact record analysing or appraising the specific potential environmental impact is

required. And if the construction project may result in minor impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The report is prepared by construction units and shall be approved by the relevant PRC authority before construction commences.

Other major environmental regulations applicable to our Group includes the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) together with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes Pollution (中華人民共和國固體廢物污染環境防治法), the Law of the PRC on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法).

Approvals from PRC governmental authorities in relation to the Reorganisation and the proposed Listing

No. 75 Notice

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Round-trip Investment through Offshore Special Purpose Vehicles (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), or No. 75 Notice, issued by the SAFE on October 21, 2005, (i) a PRC resident shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle, or an overseas special purpose vehicle (the "SPV"), for the purposes of overseas equity financing (including convertible debt financing); (ii) when the PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing such assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of the SAFE; and (iii) when the overseas SPV undergoes a material capital related event outside of China, such as change in share capital or merger or acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register or file such change with the local branch of the SAFE. The SAFE subsequently issued relevant guidance with respect to the operational process for the SAFE registration under No. 75 Notice, which standardised more specific and stringent supervision on the registration relating to No. 75 Notice and imposed obligations on onshore subsidiaries of the overseas SPV to coordinate with and supervise the beneficial owners of the overseas SPV who are PRC residents to complete the SAFE registration process. Under No. 75 Notice and relevant SAFE rules, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV, and penalties on the PRC residents and/or the PRC subsidiary of the overseas SPV.