
REGULATIONS

This section sets forth a summary of the most significant regulations or requirements that affect our business activities of our Group. Certain of these regulations and requirements, such as those relating to tax, foreign investment, foreign currency exchange, dividend distribution, and regulation of foreign exchange in certain onshore and offshore transactions, may affect our shareholders' right to receive dividends and other distributions from us.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Our key operating subsidiary, Goldpac Secur-Card, a wholly foreign-owned enterprise, is subject to certain PRC laws and regulations. Wholly foreign-owned enterprise as a form of foreign investment permitted in PRC is primarily governed by the following laws and regulations:

- *The Company Law** (1993) (《公司法》), as amended;
- *The Law on Wholly Foreign-owned Enterprises** (1986) (《外資企業法》), as amended; and
- *Rules for the Implementation of the Law on Wholly Foreign-owned Enterprises** (1990) (《外資企業法實施細則》), as amended.

A wholly foreign-owned enterprise is a limited liability company under the PRC law and its establishment is subject to the approval of the MOFCOM or its authorised local counterpart where such wholly foreign-owned enterprise is located.

Foreign-owned enterprises in PRC are subject to the provisions of the *Industry Catalogue on Guiding Foreign Investment** (《外商投資產業指導目錄》), issued by MOFCOM and the NDRC amended and promulgated on 24 December 2011, which came into force on 30 January 2012. The catalogue contains specific guidance to investments in the PRC by foreign capital are categorised industries into “encouraged”, “restricted” and “prohibited”. Investment in industries not contained in the catalogue by foreign investment is generally permitted.

Notice No. 75

*The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by Residents in China via 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》) was issued on 21 October 2005 and came into effect on 1 November 2005. According to this notice, (i) resident natural persons in China (“**China Residents**”) shall register with local branches of the State Administration of Foreign Exchange if they establish or control overseas enterprises for overseas equity financing driven purposes (including convertible bond financing) with the enterprise assets or interests they hold in China; (ii) where China Residents, holding assets or equities, invest the said assets or equities of enterprises within China in special-purpose companies, or where they conduct overseas equity financing after doing so, these China Residents shall go through registration alteration formalities of overseas investment in foreign exchange for net assets and equities of special-purpose companies and the variation thereof; (iii) in case of material events such as alteration in capitals or merger and acquisitions in special-purpose companies, China Residents shall apply to local branches of the State Administration of Foreign Exchange for registration alteration within 30 days after the occurrence of such issues. According to Notice No. 75, failure to register properly will lead to limitation on the foreign exchange activities by the special purpose company’s China subsidiaries and on the ability of special-purpose companies to distribute dividends. According to *Regulation of the PRC on Foreign Exchange Administration** (《中華人民共和國外匯管理條例》), anyone who fails to register properly under the Notice No. 75 shall be ordered by a certain date to repatriate the foreign exchange, and may be subject to a fine.

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Order No.10

Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Tax, State Administration for Industry and Commerce, China Securities Regulatory Commission, and State Administration of Foreign Exchange jointly issued the Provisions on *Foreign Investors' Merger with and Acquisition of Domestic Enterprises** (《關於外國投資者併購境內企業的規定》) on 8 August 2006. The provisions came into effect on 8 September 2006 and was amended on 22 June 2009 by the Ministry of Commerce (《中華人民共和國商務部》). According to the Provisions, where a company, enterprise, or natural person in China merges and acquires shares or assets of a domestic company affiliated thereto in the name of an overseas company established or controlled by that merging and acquiring party, the transaction shall be subject to approval of the Ministry of Commerce, instead of local regulatory authorities. The Provisions also provide that overseas listing of a special-purpose company that is established or controlled by a company or natural person in China shall be subject to the approval of the China Securities Regulatory Commission.

REGULATORY FRAMEWORK OF THE SMART CARD INDUSTRY

According to *Regulations of the People's Republic of China on Administration of Production Licensing of Industrial Products** (《中華人民共和國工業產品生產許可證管理條例》) issued by the State Council in July, 2005 and *Catalogue of Products Subject to the Administration of the System of Production Permits** (《實行生產許可證制度管理的產品目錄》), issued by General Administration of Quality Supervision, Inspection and Quarantine of People's Republic of China (中華人民共和國國家質量監督檢驗檢疫總局) in November 2012, license must be obtained in order to manufacture any IC card and IC card reader products listed in that list.

According to *Detailed Rules for Implementation of Production License of IC Card and IC Card Reader** (《集成電路卡及集成電路卡讀寫機產品生產許可證實施細則》) issued by the General Administration of Quality Supervision, Inspection and Quarantine on 9 January 2011 and which came into effect on 1 March 2011, license must be obtained in order to manufacture any IC card and IC card reader products.

According to *Regulations on Administration of Printing Industry** (《印刷業管理條例》) issued by the State Council of the People's Republic of China in August 2001, no entity or individual may engage in printing business without a permit for printing business.

According to *Opinions of the People's Bank of China to Promote Applications of Financial IC Cards** (《中國人民銀行關於推進金融IC卡應用工作的意見》) issued by PBOC on 11 March 2011, pursuant to which the PBOC has decided to launch a nationwide bank card chip migration and to comprehensively promote applications of financial smart card during China's Twelfth Five-Year Plan* (第十二個五年計劃), with the purpose of promoting the upgrading and sustainable development of China's bank card industry and provided timetables for the transformation of financial smart card acceptance environment and for the issue of financial smart card by commercial banks. For instance, with respect to the issue of financial smart card by commercial banks, Industrial and Commercial Bank of China, Agricultural Bank of China, Construction Bank of China, Bank of China, Bank of Communications, and China Merchants Bank and Postal Savings Bank of China shall begin to issue financial smart card by the end of June 2011; all national commercial banks shall begin to issue financial smart card by 1 January 2013; all bank cards issued by commercial banks for Renminbi settlement accounts, in economically developed areas and key cooperation industry fields, must be financial smart cards by 1 January 2015.

Pursuant to the *Regulations on Integrated Circuit Card Registration** (《集成電路卡註冊管理辦法》) issued by State Leading Group Office of Golden Card Project Coordination on 9 August 2001, institutions that produce or distribute smart cards, or provide smart card application service, shall apply to State IC Card Registry (國家IC卡註冊中心) for unique registration identifiers, which shall be incorporated into smart cards, institutions that provide smart card application service to the general

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public or industry shall apply for registration identifiers for smart card application service provider, and institutions that have received corresponding registration identifiers from international organisations shall submit such registration identifiers to the registration centre for the record.

According to *Notice of the Ministry of Construction⁽¹⁾ on the Administration of Application of Construction Undertakings IC Card** (《建設部關於建設事業IC卡應用管理工作的通知》) promulgated by the Ministry of Construction of the People's Republic of China (中華人民共和國建設部) on 18 March 1999, all product and system integration suppliers which conduct business smart card application projects for construction undertakings shall first obtain accreditation of product quality and qualification from the Ministry of Construction. Suppliers and products without accreditation shall not enter the market of construction undertakings smart card. Public tender shall be used in application projects of construction cause smart card. Only accredited system integrators are eligible to participate in bidding.

According to *Notice on Further Standardisation and Strengthening of the Administration of Bank Card Issuance Technology by Commercial Banks** (《中國人民銀行關於進一步規範和加強商業銀行銀行卡發卡技術管理工作的通知》) issued by the PBOC on 23 February 2011, which was aimed to strengthen the security management and technology risk prevention of bank cards, the administration of bank card issuance technology by commercial banks, including basic principles that commercial banks shall follow in card issuance, major policy basis of examination, technology specifications, and scope of examinations, etc., shall be standardised and strengthened.

According to *Measures for the Administration of Social Security Cards** (《中華人民共和國社會保障卡管理辦法》) issued by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) on 20 April 2011, institutions of provincial level shall organise the issuance and administration of social security card centrally; if the principal institution does not have the capability, then the manufacture of social security card can be undertaken by the city of card issuance or a third-party institution. The third-party institution chosen by the card issuance region shall maintain safe production environment required by the Ministry of Human Resources and Social Security shall have strict safety measures in the storage, transmission, and use of data, and in card transportation, to secure the data and keys in social security cards. Registration system applies to social security card chips. Chips chosen by the card issuance region shall be filed to the Leading Group Office for Information Technology Advancement (信息化領導小組辦公室) of the Ministry of Human Resources and Social Security before those chips can be incorporated into social security cards.

The People's Bank of China issued the China Financial Integrated Circuit (IC) Card Specification (V3.0)* (中國金融集成電路 (IC) 卡規範 (V3.0)) on 7 February 2013. Based on *China Financial Integrated Circuit (IC) Card Specification* (2010)* (JR/T0025—2010) (中國金融集成電路 (IC) 卡規範 (2010)), the *China Financial Integrated Circuit (IC) Card Specification* (V3.0)* is compatible with the internationally accepted technical standards, expands and improves the features of small amount contactless payment applications, supports dual-currency electronic cash payment applications, and standardised technical requirements of Internet terminals, and enriched the secure algorithm system.

Procurement

*The Government Procurement Law of the People's Republic of China** (《中華人民共和國政府採購法》) effective from 1 January 2003 provides that for “government procurement”, which refers to the purchasing activities conducted with fiscal funds by government departments, institutions and public organisations at all levels, where the goods, construction and services concerned are in the centralised procurement catalogue compiled in accordance with law or where the fair value of the goods, construction or services exceeds the respective prescribed procurement thresholds, public invitation shall be the principal method of government procurement.

(1) Now the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部).

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According to *the Provisions of Strengthening Management of the Centralised Procurement of State Owned Financial Enterprises** (《關於加強國有金融企業集中採購管理的若干規定》) (Cai Jin [2001] No. 209) (財金[2001]209號) formulated by the Ministry of Finance in 2001, if financial enterprises, such as state-owned commercial banks, intend to obtain large scales of goods, projects and services that are included in the centralised procurement catalogue by means of purchasing and leasing, it generally must adopt a procurement method of public invitation or invited bidding.

Privacy Protection

*Amendment VII to the Criminal Law of the People's Republic of China** (《中華人民共和國刑法修正案(七)》) promulgated and effective from 28 February 2009 provides that: (i) it shall be an offence for any staff member of a government agency, or a financial institution, or transportation company, etc., to sell or illegally provide personal information obtained during the course of performing duties or providing services; in serious circumstances, such staff member shall be sentenced to a fixed-term imprisonment of not more than three years, a fine or a combination of both; (ii) a person who illegally obtains personal information by theft or through other means, and in such cases if the circumstances are serious, such person shall be punished in accordance with the provisions of the preceding paragraph; and (iii) where an organisation commits any of the crimes mentioned above, a fine shall be imposed on the organisation, and the persons who are directly in charge of this organisation or directly responsible for the crime shall be punished respectively accordingly.

*Decision of the Standing Committee of the National People's Congress on Strengthening Network Information Protection** (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) promulgated and effective from 28 December 2012 provides that network service providers and other enterprises and public institutions shall take technical measures and other necessary measures to manage their information security, and prevent the personal electronic information as collected during business activities from being leaked, damaged or lost. Further, remedial measures shall be immediately taken if such information may be or has been leaked, damaged or lost.

*Guidance for Information Safety Technology and Public and Commercial Service Information System Personal Information Protection** (《信息安全技術公共及商用服務信息系統個人信息保護指南》), effective from 1 February 2013 requires that if someone is processing personal information, he must (i) have a specific, definite and reasonable purpose, (ii) obtain consents and (iii) delete the personal information after he reached his purpose.

Safe Production and Labour Protection

In accordance with laws and regulations such as the *Law of Safe Production of the PRC** (《中華人民共和國安全生產法》), which has been implemented since 1 November 2002 and amended on 27 August 2009, the State Administration of Work Safety (中華人民共和國國家安全生產監督管理總局) supervises and manages the safe production work in the PRC comprehensively. Organisations engaging in production and operation activities in the PRC must comply with the laws and regulations governing safe production, and such organisations shall strengthen safe production management, establish and refine their safe production responsibility system, improve safe production conditions and ensure safe production. Goldpac Secur-Card must abide by these laws and regulations above to ensure safe production during the operation.

Environment Protection

The major environmental laws and regulations applicable to us include the *Environmental Protection Law of the PRC** (《中華人民共和國環境保護法》), the *Law on the Prevention and Control of Water Pollution** (《中華人民共和國水污染防治法》), *Implementation Rules of the Law on the Prevention and Control of Water Pollution** (《中華人民共和國水污染防治法實施細則》), the *Law on the Prevention and*

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*Control of Air Pollution** (《中華人民共和國大氣污染防治法》), the *Law on the Prevention and Control of Solid Waste Pollution** (《中華人民共和國固體廢物污染環境防治法》), and the *Law on the Prevention and Control of Noise Pollution** (《中華人民共和國環境噪聲污染防治法》) and the *Law of the PRC on Appraising Environment Impacts** (《中華人民共和國環境影響評價法》), and the *Regulations on the Administration of Environmental protection of Construction Projects** (《建設項目環境保護管理條例》).

As the operation of Goldpac Secur-Card may discharge waste water and solid waste, and may also cause noise pollution, we must strictly abide by PRC environmental protection laws.

OTHERS

Tax

On 16 March 2007, the *PRC Enterprise Income Tax Law** (《中華人民共和國企業所得稅法》) was enacted, and became effective on 1 January 2008 when the *FIE Income Tax Law and the Enterprise Income Tax Provisional Regulations 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實施細則》) was scheduled to expire. The PRC Enterprise Income Tax Law adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revokes the prior tax exemption, reduction and preferential treatments only applicable to foreign-invested enterprises. However, any enterprises established before the promulgation of the PRC Enterprise Income Tax Law that are entitled to preferential tax treatments for a fixed period will continue to be entitled to such preferential tax treatments until the expiration of such period. If the fixed period has not commenced because of profit losses, it shall be deemed to commence from 2008.

*The Implementation Rule of the PRC Enterprise Income Tax Law** (《中華人民共和國企業所得稅法實施條例》) provides that an income tax rate of 10% is applicable to dividends payable to foreign investors and does not specifically exempt withholding tax on dividend payable to foreign investors, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC government that provides for a different withholding arrangement.

For instance, according to *the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region 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》), dividends paid by a PRC company to a Hong Kong company may be subject to a withholding tax rate of 5%, if the Hong Kong company directly owns at least 25% of the capital of the PRC company. Thus, depending on our ultimate corporate structure, dividends paid to us by our PRC subsidiaries through our Hong Kong subsidiaries may be subject to a reduced withholding tax at a rate of 5%. Although the PRC Enterprise Income Tax Law provides for the possibility of withholding tax exemption or reduction for China source income, the details have not been published.

Under the Circular of the State Council on the *Implementation of Transnational Preferential Policies with Regard to Enterprise Income Tax** (《國務院關於實施企業所得稅過渡優惠政策的通知》) passed on 26 December 2007, i) enterprises enjoying a preferred tax rate of 15% will be gradually transferred to bear the uniform tax rate, that is of, 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; ii) enterprises enjoying the preferential policies with regard to enterprise income tax which is exempted in the first 2 years and reduced by half in the following 3 years, can continue to enjoy the preferential treatment until its expiration. Enterprises which didn't enjoy the preferential tax treatment due to the lack of profit are entitled to the preferential treatment from 2008. Under the current Enterprise Income Tax Law, enterprises which are established according to the law of a foreign country (region) but whose actual management body is in China, are referred to as resident enterprises and should be subject to enterprise income tax at the rate of 25% on its global income. According to the Regulations on the *Implementation of Enterprise Income Tax Law of the PRC** (《中華人民共和國企業所得稅法實施條例》), actual management organisations shall mean organisations that exercise substantial and comprehensive management and control with regard to, among other things, production and business operation, personnel, finance, and property of enterprises. Since the

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current Enterprise Income Tax Law and Regulations became effective not long before, there have been no procedures or detailed rules regulating the standard of actual management organisations. Under the PRC Enterprise Income Tax Law, enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located within the PRC territory are considered resident enterprises and will normally be subject to the enterprise income tax at the rate of 25% on its global income, but the term “de facto management bodies” is not defined therein. Under the implementation regulations issued by the State Council relating to the PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. However, because the PRC Enterprise Income Tax Law and its implementation rules are newly issued, there is uncertainty as to now they will be interpreted and implemented by the relevant tax bureaus.

Under the PRC Enterprise Income Tax Law, “High-tech enterprises strongly supported by the State” (“**High-tech enterprises**”) may be entitled to a preferential tax rate of 15%, and the Implementation Rule of the PRC Enterprise Income Tax Law defines the scope of “High-tech enterprises”. Goldpac Secur-Card has been qualified as a “High-tech enterprises” since December 2008 under the PRC Enterprise Income Tax Law, and as a result has been entitled to a preferential income tax rate of 15.0% for “High-tech enterprises” beginning from 2008.

Pursuant to the *Provisional Regulation of China on Value Added Tax** (《中華人民共和國增值稅暫行條例》) and the implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in PRC are generally required to pay value-added tax at a rate of 17% of the gross sales proceeds received, less any deductible value-added tax already paid or borne by the taxpayer. In addition, when exporting goods, the exporter is entitled to a portion of or all the refund of value-added tax that it has already paid or borne. Pursuant to the Ministry of Finance and the State Administration of Taxation’s Notice on the Value Added Tax Policy for Software Products effective since January 1, 2011, the value-added tax paid by the general value-added taxpayer at a rate of 17% for the sales of its self-developed software products will be subject to the refund for the portion exceeding 3% of such taxation actually paid or borne. If approved by the relative taxation authority, the software products which have acquired the certificate issued by a software test institute authorised by the provincial software industry administration or the Software Product Registration Certificate issued by the relative software industry administration or the Computer Software Copyright Registration Certificate issued by the relative copyright administration, will be qualified for the above-mentioned value-added tax refund policy.

During the Track Record Period, our Directors confirm that only very limited related parties sales were sold within our Group by Zhuhai Secur-Card to Goldpac Datacard. To the best knowledge, information and belief of our Directors, (i) such sales do not fall into any of the situations triggering production of transfer pricing documentation to relevant taxation bureau under the *Notice on Special Taxation Adjustment Implementation Rules** (No. 2 of 2009) (《特別納稅調整實施辦法（試行）》) issued by the State Administration of Taxation of the PRC, (ii) the export prices of the products sold by Zhuhai Secur-Card to Goldpac Datacard were all agreed by the customs in the PRC at exportation, and (iii) up to the Latest Practicable Date, no transfer pricing challenge or enquiry was raised by the customs or the competent tax bureau in the PRC against us. Accordingly, our Directors consider that we do not have any transfer pricing issues in the PRC relating to the sales of our products from Zhuhai Secur-Card to Goldpac Datacard.

Foreign Currency Exchange

- Foreign currency exchange in China is primarily governed by the following rules: *Regulations of the People’s Republic of China on Foreign Exchange Control** (1996) (《中華人民共和國外匯管理條例》), as amended on 8 May 2008; and

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- *Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange* (1996)* (《結匯、售匯及付匯管理規定》).

Under the Foreign Currency Administration Rule, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the approval of, and/or the registration with, the PRC State Administration of Foreign Exchange or its local branches.

Pursuant to the above-mentioned administrative rules, foreign-invested enterprises, such as Goldpac Secur-Card may buy, sell and/or remit foreign currencies for current-account transactions at banks in China with authority to conduct foreign exchange business by complying with certain procedural requirements, such as presentment of valid commercial documents. As disclosed, for most capital-account transactions, approval from SAFE is a pre-condition.

The Operating Rules for Administration of Foreign Exchange in Domestic Individuals' Participation in Employee Stock Ownership Plans and Stock Option plans of Companies Listed Abroad* (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) or the Notice No. 78 was distributed by the State Administration of Foreign Exchange on 28 March 2007. Notice No. 78 was repealed by Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) or the Notice No. 7 on 15 February 2012. Both the Notice No. 78 and Notice No. 7 were formulated for the purpose of standardising and improving foreign exchange administration in domestic individuals' participation in equity incentive plans of companies listed abroad. Notice No. 7 was formulated for the purpose of clarification and simplification of foreign exchange procedures for the implementation of equity incentive plans. According to Notice No. 7, when overseas listed company grants stocks or stock options on domestic individuals based on employee stock ownership plans or stock option plans, the such grants must be registered, through domestic subsidiaries of the overseas listed company or other qualified agency (e.g. domestic agency), in SAFE's local branches. Other procedures related to employee stock ownership plans or stock option plans must also be completed. The domestic agency shall go through foreign exchange registration procedures with the local branch or foreign exchange department of the State Administration of Foreign Exchange. Where an individual participates in an equity incentive plan with his Renminbi funds, the China agency shall open a special account for the purpose of deposit and transferring of stocks, returned principal or premiums from exercise of stock options or sales of stocks, dividends from any stocks, and any other funds provided and approved by the State Administration of Foreign Exchange associated with any income or expense. The domestic agency shall engage an oversea supervisor on behalf of participants of equity incentive plans for the exercise and sale of stock options.

Dividend Distribution

Distribution of dividends is regulated in China. Wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC Generally Accepted Accounting Principles (“**PRC GAAP**”). The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to reserve funds, employee bonus and welfare funds and enterprise development funds, which may not be distributed to equity owners as dividends.

Under the relative foreign exchange administration rules and regulations on foreign currency transactions, Goldpac Secur-Card must pay all tax outstanding and provide a tax clearance certificate respectively before it can remit dividends abroad. Moreover, Goldpac Secur-Card may not distribute any dividends if the company has “uncompensated losses” accumulating from prior years, as calculated under PRC GAAP.

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PRC Labour Laws

According to *Labour Contract Law of the PRC** (《中華人民共和國勞動合同法》) (the “Labour Contract Law”) effective as at 1 January 2008 and amended at 28 December 2012, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers. Enterprises and institutions are forbidden to force the labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with national regulations. In addition, the requirement of entry into fixed term employment contracts and dismissal of employees is very strict. In particular, the Labour Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fix-term employment contract. Also, under the newly promulgated *Regulations on Paid Annual Leave for Employees** (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of employees’ work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

Goldpac Secur-Card is also subject to the employee welfare rules and regulations set out below: According to the *Regulation of Insurance for Labour Injury** (《工傷保險條例》), which was promulgated by the State Council, came into force on 1 January 2004 and the amendment came into force on 1 January 2011, enterprises shall, in accordance with this Regulation, purchase work-related injury insurance, paying work-related injury insurance premiums for all their employees. Only enterprises are required to pay work-related injury insurance premiums and are required to make such payment on time. Where an employee is injured in an accident or suffers from an occupational disease due to his work and needs treatment, his treatment will be paid for by the insurance company. The employee also enjoys disability subsidy if any injury results in disability.

According to the *Interim Regulation on the Collection and Payment of Social Insurance Premiums** (《社會保險費徵繳暫行條例》), which was promulgated by the State Council, and came into force on 22 January 1999, either the taxation authorities or the social insurance agencies established by the administrative department of labour and social security may act as agents collecting such social insurance premiums. Enterprises with employees shall carry out social insurance registration at the local social insurance agency and participate in social insurance programmes. Such participants shall report to the social insurance agency the amount of social insurance premiums payable and pay its social insurance premiums every month within the prescribed time limit upon assessment of the social insurance agency. The social insurance premiums payable by the individuals shall be withheld from their wages and paid for them by their employers. Premium paying entities or individuals shall pay their social insurance premiums in cash and in full. If a premium paying entity fails to carry out social insurance registration, changes its registration or cancels its registration, or fails to report the amount of social insurance premiums payable according to the legal provisions, the administrative department of labour and social security can order it to rectify the situation by paying the outstanding premium within the prescribed time limit. Where the circumstance is serious, the principals and other persons held to be directly responsible shall be imposed on a fine of RMB1,000.00 to RMB5,000.00; and where the circumstance is extremely serious, the principals and other persons held to be directly responsible shall be imposed on a fine of RMB5,000.00 to RMB10,000.00. If any participant, whether an individual or enterprise, refuses to pay its social insurance premiums or late-payment fines beyond the time limit, the administrative department of labour and social security or the tax authority shall apply to the people’s court to enforce the payment according to laws. *The Interim Provisions on Registration of Social Insurance** (《社會保險登記管理暫行辦法》), which was promulgated by State Council, and came into force on 19 March 1999, has also prescribed any premium paying entity shall carry out social insurance registration at the local social insurance agency within 30 days from the day it receives its business license or its date of establishment.

According to *Social Insurance Law of the People’s Republic of China** (《中華人民共和國社會保險法》), which was issued by Standing Committee of the National People’s Congress on

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28 October 2010, and came into force on 1 July 2011, The State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Workers shall participate in basic pension insurance, unemployment insurance and basic medical insurance for workers. The employing entities and the workers shall jointly pay the basic pension insurance, the basic medical insurance premiums, unemployment insurance and basic medical insurance in accordance with the provisions of the State. Workers shall participate in work-related injury insurance, maternity insurance and the work-related injury insurance, maternity insurance premiums shall be paid by the employing entities. If an employing entity does not go through the formalities for social insurance registration, the social insurance administration department shall order it to make rectification within the stipulated period. If rectification is not made within the stipulated period, the employing entity shall be imposed a fine from one to three times the amount of the social insurance premium that should be paid. The personnel directly in charge and other personnel subject to direct liability shall be imposed a fine of more than RMB500.00 and less than RMB3,000.00. If an employing entity does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

Enterprises and the employees should pay the house accumulation fund according to *Regulations on Management of Housing Fund** (《住房公積金管理條例》), which was promulgated by the State Council, came into force on 3 April 1999, and the amendment came into force on 24 March 2002. Under this regulation, the housing accumulation funds deposited by an individual employee and those deposited by the enterprises shall be owned by the employee himself. Housing accumulation funds shall be used by employees for buying or building houses, rebuilding or overhauling houses for self-dwelling, and shall not be misappropriated by any entity or individual for any other purpose. Where an entity employs an employee, it shall, within 30 days as at the date when it decides to employ him, go to the housing accumulation fund management centre to make registration of fund deposit. In the case of the purchase or construction of a house, renovation or remodelling of a house for self-dwelling, an employee may withdraw the balance in his housing accumulation fund account. Where an entity fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees, it shall be ordered by the housing accumulation fund management centre to rectify the situation within a time limit; if it fails to make up the procedures within the time limit, it shall be given a fined of RMB10,000.00 to RMB50,000.00. Where an entity fails to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management centre to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, the housing accumulation fund management centre may apply to the people's court for enforcement.

Trademark Law

*The Trademark Law of People's Republic of China** (《中華人民共和國商標法》) (“**Trademark Law**”) was adopted by the Standing Committee of the National People's Congress on 23 August 1982, came into effect on 1 March 1983, and was revised on 22 February 1993, 27 October 2001 and 30 August 2013.

The Trademark law is enacted for the purposes of improving the administration of trademarks, protecting the exclusive right to use trademarks, and of encouraging producers and operators to guarantee the quality of their goods and services and maintaining the reputation of their trademarks, with a view to protecting the interests of consumers, producers and operators.

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The trademark license contract shall be submitted to the Trademark Office for record. Failure to submit a trademark license contract for record-filing shall not affect the validity of the license contract, unless otherwise agreed upon by the parties concerned.

Where a trademark license contract is not submitted to the Trademark Office for record-filing, opposition to a bona fide third party shall be prohibited.

Patent Law

*The Patent Law of the People's Republic of China** (《中華人民共和國專利法》) was adopted by the Standing Committee of the National People's Congress on 12 March 1984, and amended on 4 September 1992, 25 August 2000, and 27 December 2008. The Patent Law is formulated for the purposes of protecting the lawful rights and interests of patentees, encouraging invention, promoting the application of inventions, and enhancing innovation capacity, facilitating the advancement of science. Inventions and utility models for which patent rights are granted shall be of novelty, creativity and practical applicability. The Patent Administration Department under the State Council accepts and examines patent applications in a uniform way and grants patent rights in accordance with the law. The duration of the invention patent right shall be 20 years and that of the utility model patent right or design patent right shall be 10 years, commencing from the date of application. Within the duration of the patent, third-party users must obtain consent or formal approval from the patent holder in order to use the patent. Use of patent rights without such consent or formal approval shall constitute infringement, except as otherwise provided by law.

If the trademark has not been registered, or the patent has not applied for registration, holders of the trademark or patent cannot protect or prevent others from using the trademark or patent. Besides, copyright holder enjoys copyright protection upon the creation of drawings, prototypes and models without requirement for prior registration.

Law and Regulations on Domain Names

*The Measures for the Administration of Internet Domain Names of China** (《中國互聯網絡域名管理辦法》), enacted by Ministry of Information Industry (信息產業部) on 5 November 2004, and came into effect on 20 December 2004, regulates the registration of Internet domain names with Internet country code “.CN”, as well as domain names in Chinese.

*Measures of China Internet Network Information Center for Resolving Domain Name Disputes** (《中國互聯網絡信息中心域名爭議解決辦法》) was issued by China Internet Network Information Center (中國互聯網絡信息中心) on 28 June 2012 and came into effect on 28 June 2012. Under the Measures of China Internet Network Information Center for Resolving Domain Name Disputes, domain name disputes shall be resolved by dispute settlement body approved by the China Internet Network Information Center.