

REGULATORY OVERVIEW

A summary of certain major laws and regulations in relation to our business is set forth below. Information contained in this section should not be construed as a comprehensive summary of laws or regulations applicable to us.

LAWS AND REGULATIONS IN RELATION TO FOOD SAFETY

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) ("Food Safety Law") was promulgated on February 28, 2009 by the Standing Committee of the National People's Congress and became effective on June 1, 2009. The Implementation Regulations of the Food Safety Law (《中華人民共和國食品安全法實施條例》) (the "Implementation Regulations") was subsequently promulgated on July 20, 2009 and became effective from the date of promulgation.

The Food Safety Law and the Implementation Regulations apply to the production and operation of food, food additives, food related products that include food containers and packaging materials, as well as other relevant products. Under this law, manufacturers who are engaged in the production of food, food additives and food related products must comply with applicable food safety standards and must satisfy inspection and approval procedures with regard to their products before sending them into the market. In addition, food manufacturers are required to check business permits and product qualification certificates of their suppliers from whom they purchase food materials, additives and related products and to inspect such products to ensure that they conform to applicable food safety standards. Any violation of the Food Safety Law and its Implementation Regulations may result in legal liabilities, such as warnings, fines, damages, or even in criminal liabilities for serious violations.

LAWS AND REGULATIONS IN RELATION TO QUALITY AND SAFETY OF PRODUCTS

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) ("Product Quality Law") was adopted by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000. Applicable to all production and marketing activities in China, the Product Quality Law was formulated to strengthen the administration of rules pertaining to and improve product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

The State Council established a national administration in charge of nationwide product quality, with local authorities performing this duty at the local level. Products offered for sale must meet relevant quality and safety standards. Enterprises may not produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of businesses, as well as confiscation of products illegally produced and sold and the sales proceeds from such products. Serious violations may subject the responsible individual or enterprise to criminal liabilities. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages.

For the implementation of the Product Quality Law, the Regulations of the PRC on the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) ("Production License Regulations") were promulgated on July 9, 2005 by the State Council and became effective on September 1, 2005 to regulate product quality and safety. Subsequently, on September 15, 2005, for the implementation of the Production License Regulations, AQSIQ promulgated the Measures for the Implementation of the Regulations of the PRC on the Administration of Production License 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》) ("Production License Measures"), which came

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into effect on November 1, 2005. Pursuant to the Production License Regulations and the Production License Measures, relevant authorities at the provincial level and above are responsible for issuing production licenses to enterprises engaged in the production of various industrial products crucial to human health, safety and social security, such as meat, dairy, beverages, rice, flour, edible oil, alcohol, electric blankets, pressure pots, safety helmets, dangerous chemicals and packaging and containers for dangerous chemicals. From time to time, AQSIQ formulates and revises an industrial product catalogue. Enterprises engaged in the production of products listed in the catalogue must apply for and obtain production licenses from competent authorities. Manufacturing such products without a valid production license is strictly prohibited. Any violation will result in warnings, fines, confiscation of products illegally produced and proceeds from their sale, or suspension or even shutdown of the business committing the violation. Criminal liabilities may also be imposed for serious violations. The valid period of the production license ranges from three to five years, and enterprises must follow the re-certification procedures before the expiration of their production licenses in order to continue their production.

LAWS AND REGULATIONS IN RELATION TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) ("Production Safety Law") was promulgated by the Standing Committee of the National People's Congress on June 29, 2002 and became effective on November 1, 2002. This law provides safety standards for any production or business operation in order to protect the safety of employees and the general public. The State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for supervision and administration of the Production Safety Law nationwide. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions.

Enterprises must undertake necessary measures to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Any responsible individual or enterprise that fails to perform its duty to meet the safety production standards may be ordered to rectify the violations within a prescribed period and/or pay a fine. Failure to rectify the violations within the prescribed period may result in suspension or shutdown of the business committing the violation. Serious violations that result in any production safety accident may subject the responsible individuals to criminal liabilities.

LAWS AND REGULATIONS IN RELATION TO PRINTING

The Regulations on the Administration of Printing Industry (《印刷業管理條例》) ("Printing Industry Regulations") were promulgated by the State Council and came into force on August 2, 2001. These regulations regulate the operations of printing publications, as well as the packaging and decoration materials on printed objects, such as paper, metal and plastic. Pursuant to the Printing Industry Regulations, no one is allowed to engage in the printing business without obtaining a printing license. The printing license may not be leased, lent or transferred by any means.

Other rules and regulations for the printing industry that impact the packaging industry include:

- the Administrative Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) ("Printing Orders Regulations"), which were issued by the General Administration of Press and Publication (新聞出版總署) together with the Ministry of Public Security (公安部) and took effect on September 1, 2003. Under the Printing Orders Regulations, companies engaged in the printing business are required to verify clients' legal documents, such as business licenses and trademark registration certificates, and to file the printing records kept by the companies with competent authorities;

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- the Measures on Administration of Bar Code (《商品條碼管理辦法》) issued by AQSIQ on May 30, 2005. In addition, the Implementation Measures on Identification of Printing Qualification of Bar Code (《商品條碼印刷資格認定工作實施辦法》) ("Bar Code Measures") issued by the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) on July 19, 2000. Pursuant to the aforesaid Measures, enterprises engaged in the business of printing bar codes are encouraged to be qualified and have qualification certificates issued by an organization under the State Bureau of Quality and Technical Supervision. The qualification certificates are valid for three years and can be renewed upon application within two months before expiry;
- the Interim Provisions on the Establishment of Foreign-invested Printing Enterprises (《設立外商投資印刷企業暫行規定》) ("Interim Provisions") jointly issued by the General Administration of Press and Publication and the former Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) on January 29, 2002. Under the Interim Provisions, approvals by the press and publication administration are required for the establishment of foreign-invested enterprises engaging in the printing business. In addition, foreign-invested printing enterprises are not allowed to set up branches; and
- the Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》) issued by the General Administration of Press and Publication on November 9, 2001, which specify the qualifications required for enterprises engaged in printing operations. Printing operators must satisfy such qualification requirements in order to obtain approval for their establishment and printing licenses from the press and publication administration.

LAWS AND REGULATIONS IN RELATION TO IMPORTS AND EXPORTS

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated on May 12, 1994 and revised on April 6, 2004 by the Standing Committee of the National People's Congress to develop foreign trade in areas such as the import and export of goods, technology and international service, and to maintain order in foreign trade and promote the advancement of China's economy. The Foreign Trade Law requires enterprises engaged in foreign trade to register with the relevant divisions of foreign economic relations and trade under the State Council and obtain permissions for their foreign trade operations, if necessary. In addition, the Foreign Trade Law addresses such issues as intellectual property infringement, unfair competition, tax evasion and civil and criminal liabilities for violations of the foreign trade orders.

The Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the Standing Committee of the National People's Congress on February 21, 1989 and revised on April 28, 2002. For the implementation of the Law of the PRC on Import and Export Commodity Inspection, the Regulations for the Implementation of the Law of the Peoples Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were passed by the State Council on August 10, 2005 and came into force on December 1, 2005. The main objectives of this law and its implementing regulations are to strengthen the inspection of, and ensure the quality of, import and export commodities to protect the lawful rights and interests of the parties involved in foreign trade, and to promote the development of China's economic and trade relations with foreign countries. A central government authority oversees inspections, while local authorities perform inspections in areas under their jurisdiction. Such inspections cover quality, specifications, quantity, weight and packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection, among others, and are governed by compulsory standards or other inspection standards under the law. Any violation of the relevant provisions of this law, such as evading commodity inspections, may result in fines and other penalties. Serious violations may subject the responsible individual or enterprise to criminal liabilities.

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In order to regulate the production of packaging products for export of dangerous goods, the former State Bureau of Import and Export Commodities Inspection (國家進出口商品檢驗局) issued the Administrative Measures for Packaging Quality License for Export Dangerous Goods (《出口危險貨物包裝質量許可證管理辦法》) on November 20, 1997. These measures require that enterprises intending to manufacture packaging products for the export of dangerous goods apply for package quality licenses with local authorities. Enterprises may not manufacture any packaging products for the export of dangerous goods until they have obtained licenses. The licenses are valid for three years and enterprises must complete the re-certification process before the expiration of their licenses in order to continue their production.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) ("Environmental Protection Law"), which was promulgated by the Standing Committee of the National People's Congress and came into effect on December 26, 1989, sets forth the legal framework for environmental protection in China. The Ministry of Environmental Protection (環境保護部) is primarily responsible for overall supervision and administration of nationwide environmental protection, while local environmental protection authorities at the county level and above are responsible for environmental protection within their respective jurisdictions.

According to the Environmental Protection Law, any enterprise involved in a construction project that may generate pollution must prepare, for prior approval by relevant environmental protection authorities, an environmental impact report assessing the pollution and environmental impact of the construction project and setting forth prevention and treatment measures. Mandatory environmental protection facilities must be simultaneously designed, built and put into operation. Construction projects are not permitted to be put into use until the facilities have passed inspections by the environmental protection authorities. Environmental protection facilities may not be dismantled or idled without authorization. Where it is necessary to dismantle or idle such installations, prior approval must be obtained from the local environmental protection authorities.

Enterprises engaged in operations that impact environmental conditions are required to adopt certain measures and systems in their operations to effectively prevent and control environmental pollution caused by waste gas, water and solids as well as noise. Enterprises that discharge contaminants must report to and register with the Ministry of Environmental Protection or their local counterparts. Enterprises discharging contaminants must pay discharge fees in accordance with the applicable regulations.

A person or an enterprise failing to comply with the Environmental Protection Law may be subject to various penalties imposed by environmental protection authorities, depending on the individual circumstances of each case and the extent of contamination. Such penalties may include warnings, fines, imposition of deadlines for remedying the contamination, orders to suspend production or use, orders to re-install contamination prevention and treatment facilities that have been removed without permission or left unused, or orders to close down enterprises. In case of serious violations, the persons or enterprises responsible for the violation may be required to compensate any parties affected by the contamination and may also be subject to criminal liabilities.

The Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) were promulgated by the State Council on November 29, 1998 and came into force on the same date. These regulations are formulated specifically to govern the environmental protection issues that may arise in connection with construction projects that may generate pollution and damage the ecological environment.

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The Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated on September 5, 1987, the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated on May 11, 1984, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Noise (《中華人民共和國環境噪聲污染防治法》) promulgated on October 29, 1996 and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated on October 30, 1995 set out, respectively, the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, these laws stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, production and operation activities.

Enterprises failing to comply with the provisions of the laws on the prevention and control of air, water, noise or solid waste pollution may be subject to warnings, fines, suspension of operations and closure of business, as determined by the relevant environmental protection authorities. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.