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SUMMARY OF PRC LAWS AND REGULATIONS REGARDING FOREIGN INVESTMENTS

Foreign Investment Laws on Wholly Foreign Owned Enterprises (“WFOE”)

WFOEs are governed by the Law of the PRC Concerning Enterprises (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (collectively the “**WFOE Law**”).

Investment in the PRC conducted by foreign investors and foreign-invested enterprises shall comply with the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (the “**Catalogue**”), which was amended and promulgated by the Ministry of Commerce (“**MOFCOM**”) and the NDRC on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry.

(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the MOFCOM (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A WFOE must also obtain a business license from State Administration For Industry & Commerce (“**SAIC**”) (or its delegated authorities) before it can commence business.

(b) Nature

A WFOE is a limited liability company under the WFOE Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by installments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with relevant PRC laws and regulations.

(c) Profit distribution

Pursuant to the WFOE Law, a WFOE is required to set aside at least 10% of its after-tax profit calculated in accordance with the PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a WFOE has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its equity owners except in the event of a liquidation of the WFOE.

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(d) Project approval

In accordance with Decision of the State Council on Reforming the Investment System (國務院關於投資體制改革的決定) and the Interim Measures for the Administration of Examining and Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), a foreign-invested enterprise is required to obtain the approval from the NDRC or its local counterparts as applicable before it starts project. We have obtained the relevant approval in respect of our proposed plant construction and increase in our annual production capacity. Furthermore, the foreign-invested enterprise shall apply for a change of approval for the project if, (i) the construction place is changed; (ii) its investor or shareholding is changed; (iii) material construction content or product is changed; (iv) the total investment amount exceeds the approved total investment amount by 20%; and (v) other changes which are regulated by relevant rules and industry policies. Non-compliance with the above rules may subject the foreign-invested enterprise to restrictions on use of foreign exchange, import of equipments, and acquirement of new land use right and etc.

Enterprise Income Tax

Our primary operating subsidiary, Sinoref (Yixing) was subject to the PRC Enterprise Income Tax Law Concerning Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) prior to 1 January 2008. Foreign-invested enterprises engaged in production and scheduled to operate for a period of not less than 10 years shall be entitled to an exemption from enterprise income tax for a period of two years starting from the first profit-making year, followed by a reduction of enterprise income tax by 50% for a period of three years. Sinoref (Yixing) has obtained approval from the relevant PRC tax authorities to enjoy preferential tax treatment in accordance with such laws and regulations. As a result, Sinoref (Yixing) was exempt foreign enterprise income tax in 2007 and 2008 and 50% reduction in 2009, 2010 and 2011.

On 16 March 2007, the PRC National People's Congress enacted the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "**New Tax Law**"), and on 6 December 2007, the State Council of the PRC (國務院) issued the Implementation Regulations of the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施細則), both of which became effective on 1 January 2008. The New Tax Law imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) which was promulgated and came into effect on 26 December 2007, enterprises that were established before 16 March 2007 and already enjoy preferential tax treatments shall, (i) in the case of preferential tax rates, continue to enjoy the preferential tax rates which will be gradually increased to the new tax rates within five years from 1 January 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term; for those enterprises whose preferential tax treatment had not commenced before due to lack of profit, such preferential tax treatment shall commence on 1 January 2008. Sinoref (Yixing) should be exempt from enterprise income tax in 2008 and the applicable tax rate for 2009, 2010 and 2011 should be 12.5%.

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Value Added Tax

The Amended Provisional Regulations of the PRC Concerning Value Added Tax (中國增值稅暫行條例) (the “**VAT Regulations**”) was amended by the State Council of the PRC (國務院) on 10 November 2008 and came into effect on 1 January 2009. Under the VAT Regulations and its implementation regulations, value added tax is imposed on the sales of goods and provision of processing, repair and replacement services within the PRC and the importation of goods into China. The rate of value added tax for a general tax payer is 17% except for certain products. For a small-scale tax payer, the applicable tax rate is 3%.

Business Tax

The Provisional Regulations of the PRC Concerning Business Tax (中國營業稅暫行條例) (the “**Business Tax Regulations**”) was amended by the State Council of the PRC (國務院) on 10 November 2008 and came into effect on 1 January 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property inside the PRC are liable to business tax at a rate ranging from 3.0% to 20.0%.

PRC Customs Duties

According to the Customs Law of the PRC (中華人民共和國海關法), the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The General Administration of Customs is the authorities in charge of the collection of customs duties.

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

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

Tax on dividends from PRC Enterprise with foreign investment

According to the circular, Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the New Tax Law.

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The New Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Regulations reduced the rate from 20% to 10% effective from 1 January 2008. The PRC and 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 (中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006. According to the arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company in any time for the past 12 months before the dividend distribution. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

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

Foreign Exchange Control

Foreign exchange regulation in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (中華人民共和國外匯管理條例), as amended, or the Exchange Rules; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), or the Administration Rules.

Under the Exchange Rules, the RMB is convertible for current account items, including the distribution of dividends, interest and royalties payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE. Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by the MOFCOM, the SAFE and the National Development and Reform Commission or their local counterparts.

On 29 August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or Circular No. 142. Pursuant to Circular No. 142, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for.

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Domestic resident SAFE registration

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas 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), (the "SAFE Circular No. 75"), issued on 21 October 2005, (i) a PRC citizen residing in the PRC, who is referred to as a PRC resident in SAFE Circular No. 75, shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose company, for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas special purpose company, or engages in overseas financing after contributing assets or equity interests into a special purpose company, such PRC resident shall register his or her interest in the special purpose company and the change thereof with the local branch of the SAFE; and (iii) when the special purpose company undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in the penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas special purpose company. Currently our PRC resident shareholders have filed and completed the necessary registration for previous offshore investment activities as required under SAFE Circular No. 75 and related rules.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "Product Quality Law"), which was promulgated on 22 February 1993 and becoming effective on 1 September 1993 and amended on 8 July 2000, which amendment became effective on 1 September 2000.

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Production Permit by the General Administration of Quality Supervision, Inspection and Quarantine (the "AQSIQ")

According to the Regulations on the Administration of Production Permits for Industrial Products (工業產品生產許可證管理條例) and the implementation rules promulgated by the State Council of the PRC (國務院) and the AQSIQ in July and September 2005, respectively, any entities engaged in the production of those which are listed in the implementation rules promulgated by the AQSIQ are required to obtain a Production Permit (全國工業產品生產許可證) from AQSIQ before it commences production. According to our PRC Legal Advisers, the PRC subsidiary of our Group has obtained the permit for its operations.

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LABOUR LAW

We are subject to the Labour Law of the PRC (中華人民共和國勞動法), pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Employment Contracts Law (中華人民共和國勞動合同法) (the “**Employment Contracts Law**”), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Pursuant to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective on 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan. Pursuant to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund.

ENVIRONMENTAL PROTECTION REGULATIONS

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council of the PRC (國務院) sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented

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simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

According to the “Administrative Regulations on Levy and Utilisation of Sewage Charge” (排污費徵收使用管理條例), enterprises which discharge water, air, noise pollutants and the solid wastes shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises. Our local environmental protection authority, namely the Yixing Environment Protection Bureau, issued a confirmation letter on 22 April 2010 confirming that we do not discharge water, air, noise pollutants and the solid wastes, and no need to declare or pay the discharge fees according to the “Administrative Regulations on Levy and Utilisation of Sewage Charge”. Since our business will remain the same after the proposed listing, we believe that the “Administrative Regulations on Levy and Utilisation of Sewage Charge” will not have material impact on our business in the future.

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the NPC on 28 October 2002 which became effective on 1 September 2003 and the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council of the PRC (國務院) on 29 November 1998 which became effective on 29 November 1998, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work. We had obtained the approval before the construction of our current production project. For the construction of the proposed new production plant and the increase of the production capability, we will conduct the environmental impact assessment and file with the authority prior to the construction.

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ENERGY SAVING

The Energy Saving Law of the PRC (中華人民共和國節約能源法) was revised on 27 October 2007 and came into effect on 1 April 2008. The Energy Saving Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. In cases where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination and approval or verification of projects shall not approve or certify the construction; the construction unit shall not begin construction on the project; or if completed, the completed construction project shall be prohibited from commencing production or use. The Energy Saving Law also implements a compulsory retirement system for superseded or outdated products, facilities and production techniques that consume excessive amounts of energy.

TRADEMARK LAW

The PRC Trademark Law (中華人民共和國商標法) which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

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

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

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PRC PATENT LAW

According to the PRC Patent Law (中華人民共和國專利法) last amended on 27 December 2008, patent protection is divided into three categories: invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value. As at the Latest Practicable Date, we held two registered utility patents and seven pending patent applications in China.

Invention Patents

Products seeking invention patent protection must possess novel and innovative characteristics, and the grant of an invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application 18 months after it is filed, which period may be shortened upon request by the applicant. After the application is published, the patent administrative authority conducts a substantive review upon request by the applicant and makes a decision. The protection period for an invention patent is 20 years from the date of application.

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

Utility Patents

Products seeking utility patent protection must also possess novel and innovative characteristics. Utility patents are granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after preliminary review. Utility patents are also subject to disclosure and publication upon application. The protection period for a utility patent is ten years from the date of application.

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

Design Patents

Products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringe upon third parties' legal rights. The application procedures and protection period are the same as utility patents.

During the protection period, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent without the consent of the patent holder.

We have received acceptance confirmation for all of our applications of patent registration listed in the paragraph headed "Intellectual property rights of our Group" of Appendix VI to this prospectus. Based on our experience, we expect to obtain certificates for our patent rights by the end of 2012.