
REGULATORY OVERVIEW

This section summarises certain aspects of the PRC laws and regulations, which are relevant to our Group's operation and business.

THE ESTABLISHMENT, OPERATION AND MANAGEMENT OF FOREIGN-INVESTED ENTERPRISES

The establishment, operation and management of companies in China shall comply with the Company Law of the PRC (the "**PRC Company Law**"). The PRC Company Law was promulgated on 29 December 1993 and came into force on 1 July 1994. The current PRC Company Law has been amended on 27 October 2005 and effective as of 1 January 2006. According to the PRC Company Law, there are two types of companies: limited liability company and joint stock limited company. The PRC Company Law is applicable to Chinese-foreign equity joint-ventures, cooperative joint-ventures, and wholly foreign owned enterprises (together referred to as "**Foreign-invested Enterprises**"). Where the laws governing foreign-invested enterprises provide otherwise, such provisions shall apply.

Issues relating to wholly foreign owned enterprises such as procedures of establishment and approval, registered capital, limitation of foreign exchange, accounting principles, tax and employment shall comply with the Law of PRC on wholly foreign owned enterprises which was promulgated on 12 April 1986, revised and came into effect on 31 October 2000, and also comply with the Implementing Regulations for this Law which was promulgated on 12 December 1990, and revised on and effective as of 12 April 2001.

Issues relating to Chinese-foreign equity joint-ventures such as procedures of establishment and approval, registered capital, limitation of foreign exchange, accounting principles, tax and employment shall comply with the Law of the People's Republic of China on Chinese-Foreign Equity Joint-Ventures which was promulgated on 8 July 1979, revised on 4 April 1990 and effective as of 15 March 2001, and also comply with the Implementing Regulations for this Law which was promulgated on 20 September 1983, and revised on and effective as of 22 July 2001.

Conducting investment by foreign investors and foreign enterprises in China shall comply with the Industrial Guidance Catalogue for Foreign Investment (the "**Industrial Guidance Catalogue**"). The Industrial Guidance Catalogue was revised on 31 October 2007 by the Ministry of Commerce and the National Development and Reform Commission, and came into effect on 1 December 2007. The Industrial Guidance Catalogue is a long-term instrument adopted by Chinese policy constitutors for managing and guiding foreign investments. The Industrial Guidance Catalogue classifies all the industries into three categories: encouraged, restricted and prohibited. Except for those specially prohibited by other Chinese laws and regulations, any foreign investment project not included in the Industrial Guidance Catalogue is normally permitted. Foreign investors are generally approved to establish Foreign-invested Enterprises in various forms to engage in encouraged industries category. In some circumstance, foreign investors are only allowed to establish equity joint ventures or cooperative joint ventures to engage in restricted industries, with their Chinese partners being the majority equity holders. Moreover, foreign investments in restricted industries are subject to additional scrutiny by higher government authorities. Foreign investors are prohibited from having investments in industries that fall into the prohibited category. Our PRC legal advisers, Grandall Legal Group (Shenzhen), have confirmed that we are not engaged in any industry falling into the three categories set out in the Industrial Guidance Catalogue and therefore we are engaged in an industry which is permitted in the PRC.

Our PRC legal advisers, Grandall Legal Group (Shenzhen), have also advised that the establishment, operation and management of our subsidiaries that are regarded as foreign-invested enterprises are in compliance with the relevant PRC laws, rules and regulations.

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(a) Income Tax

Before 1 January 2008, income tax on Foreign-invested Enterprises in China shall be paid in accordance with the provisions of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the "**Income Tax Law for Enterprises with Foreign Investment**") which was promulgated on 9 April 1991 and effective as of 1 July 1991, and also in accordance with the Implementing Regulations of this Law. According to the Income Tax Law for Enterprises with Foreign Investments, unless a lower tax rate is stipulated in the laws and regulations, the income tax on Foreign-invested Enterprises shall be paid at the rate of 30%, and local income tax shall be paid at the rate of 3%. The income tax on Foreign-invested Enterprises established in Special Economic Zones, on foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on Foreign-invested Enterprises of a production nature in Economic and Technological Development Zones, shall be levied at the reduced rate of 15%. The income tax on Foreign-invested Enterprises of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located shall be levied at the reduced rate of 24%. Any Foreign-invested Enterprises of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempt from income tax in the first and second years (after deducting all the tax losses carried forward from prior years), and be allowed a fifty percent reduction in the third to fifth years.

According to the Enterprises Income Tax Law of the People's Republic of China which was promulgated on 16 March 2007 and effective as of 1 January 2008 (the "**New Tax Law**"), since 1 January 2008, the income tax on both domestic enterprises and enterprises with foreign investment shall be levied at a uniform rate of 25%. To clarify some of the provisions of the New Tax Law, the Implementing Regulations was promulgated on 6 December 2007 and came into effect as of 1 January 2008. Pursuant to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax which was promulgated on and effective from 26 December 2007, the New Tax Law provides certain tax concessions during the transitional period for enterprises established before 16 March 2007, as follows: (1) As of 1 January 2008, enterprises that previously enjoying the preferential policies of low tax rates shall be gradually transitioned to be subject to the statutory tax rate within 5 years after the implementation of the New Tax Law. Among them, enterprises that used to enjoy the income tax rate of 15% shall be subject to the tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the enterprises that enjoyed the income tax rate of 24% shall be subject to the tax rate of 25% as of 2008. (2) As of 1 January 2008, enterprises that have been granted the tax concessions of "two-year exemption and three-year half deduction" and "five-year exemption and five-year deduction" shall continue to enjoy the tax concessions until the expiry day in accordance with the tax preferential policies under the old Income Tax Law for Enterprises with Foreign Investment, regulations and relevant provisions. Where the tax preferences have not been granted due to the fact that the enterprises have not made any profits, the tax preferential period shall commence as of 2008.

(b) Value-added Tax

Pursuant to the Interim Regulation of the People's Republic of China on Value-added Tax that came into force as of 1 January 1994 (amended on 5 November 2008 and effective as of 1 January 2009) and its implementing regulations, all units and individuals engaged in sales of goods, provisions of processing, repair and replacement services, and the importation of goods in the PRC shall pay value-added tax ("**VAT**"). The tax payable shall be the balance of the output tax for the period after deducting the input tax for the period. The VAT rate is 17%, except that in some specific circumstance the VAT rate is 13%, depending on the category of goods.

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(c) Business Tax

Pursuant to the Interim Regulation of People's Republic of China on Business Tax that came into force as of 13 December 1993 (amended and adopted at the 34th executive meeting of the State Council on 5 November 2008, and effective as of 1 January 2009) and its implementing regulations, all units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of real estates in the PRC shall pay business tax. The tax payable shall be computed according to the turnover and the prescribed tax rate. The tax rate shall be 3% or 5%, depending on the category of business, except that the tax rate for entertainment industry shall be 5% to 20%.

(d) Real Estate Tax

Before 1 January 2009, the payment of real estate tax on Foreign-invested Enterprises, foreign enterprises and organisations, and foreign individuals was governed by the Provisional Regulations of the People's Republic of China on Urban Real Estate Tax (the "**Provisional Regulations on Urban Real Estate Tax**", which came into effect as of 8 August 1951 and was abolished on 1 January 2009), while the payment of real estate tax on domestic enterprises and individuals was governed by the Provisional Regulations of the People's Republic of China on Real Estate Tax (the "**Provisional Regulations on Real Estate Tax**", which came into effect as of 1 October 1986). According to the Abolition of the Provisional Regulations of the People's Republic of China on Urban Real Estate Tax, etc. (order No.546 of the State Council) announced by the State Council on 31 December 2008, since 1 January 2009, foreign-invested enterprises, foreign enterprises and organisations, and foreign individuals shall pay real estate tax in accordance with the Provisional Regulations on Real Estate Tax. Therefore, since 1 January 2009, Foreign-invested Enterprises, foreign enterprises and organisations, foreign individuals and domestic enterprises and individuals shall pay real estate tax in accordance with the Provisional Regulations on Real Estate Tax. Real estate tax shall be paid by the owner of the property rights. The tax shall be calculated on the residual following the subtraction of between 10% and 30% of the original value of the property. Details of the scope of the subtraction shall be determined by the provincial, autonomous region or directly administered municipal people's government. The tax shall be calculated on the residual value of the property at a rate of 1.2%, or on the rental income from the property at a rate of 12%.

(e) City Maintenance and Construction Tax

According to the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax that came into effect on 1 January 1985, all units and individuals who are tax payers of value-added tax, business tax and excise tax shall pay city maintenance and construction tax. The computation of city maintenance and construction tax shall be based on the amount of value-added tax, business tax and excise tax actually paid by tax payers, and the tax shall be paid together with the payment of value-added tax, business tax and excise tax. The rates of city maintenance and construction tax are as follows: for tax payers located in urban areas, the rate is 7%; for tax payers located in counties or townships, the rate is 5%; for tax payers located in areas other than urban area, counties and townships, the rate is 1%.

(f) Educational Surtax

According to the Interim Provisions on the Collection of Educational Surtax that came into effect as of 1 July 1986 (amended on 20 August 2005 and effective from 1 October 2005), all units and individuals who are tax payers of value-added tax, business tax and excise tax shall pay educational surtax. The computation of educational surtax shall be based on the amount of value-added tax, business tax and excise tax actually paid by tax payers. The rate of educational surtax is 3%, and the tax shall be paid together with the payment of value-added tax, business tax and excise tax. Only those units who shall pay rural educational expenditure surtax in accordance with the Notice of the State Council on Raising Funds for Rural Schools are exempted from educational surtax.

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Our PRC legal advisers, Grandall Legal Group (Shenzhen), have advised that all our PRC subsidiaries, including Yixing Boai, Boer Yixing, Boer Wuxi and Boer Services Co, had duly satisfied all their PRC tax obligations and none of the subsidiaries had been penalised for violating any PRC tax laws, rules and regulations during the Track Record Period.

FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

(a) Foreign Currency Exchange

The main regulation supervising foreign currency exchange in China is the Regulations of People's Republic of China on Foreign Exchange Control ("the **Regulations on Foreign Exchange Control**"). The Regulations on Foreign Exchange Control was promulgated by the State Council on 29 January 1996 and entered into force as of 1 April 1996. The current effective Regulations on Foreign Exchange Control has been amended and entered into force as of 5 August 2008. According to the Regulations, Renminbi can be freely converted into foreign currencies under current accounts (such as foreign exchange transactions involved in trade and service, and dividend distribution), while Renminbi cannot be freely converted into foreign currencies under capital accounts (such as capital transfer, direct investment, securities investment, derivatives or loans) before obtaining the approval from the SAFE.

According to the Regulations on Foreign Exchange Control, Foreign-invested Enterprises in China can purchase foreign exchange for payment of dividend through providing certain documentary evidence (such as decision of the board of directors, tax certificate, etc.), or for foreign exchange transactions involved in trade and service through providing commercial documents to prove the relevant transactions, without any approval from the SAFE. Such enterprises are permitted to retain foreign exchange (within the upper limit stipulated by the SAFE) for the repayment of the foreign exchange debts. In addition, foreign exchange transactions relating to overseas direct investment, securities investment or exchange, overseas derivatives must be registered at the SAFE, and shall acquire approval by or filing with relevant government agencies if necessary.

(b) Dividend Distribution

The main regulations governing dividend distribution of Foreign-invested Enterprises include the Law on Wholly Foreign Owned Enterprises and the Implementing Regulations for this Law and the Law on Chinese-Foreign Equity Joint Ventures and the Implementing Regulations thereof.

Before the New Tax Law, Foreign-invested Enterprises in China can distribute dividends only from accumulated after-tax profit (if have) determined in accordance with PRC accounting standards and regulations. The dividends paid to foreign investors are exempt from withholding tax. However, the New Tax Law has abolished this provision. The New Tax Law provides that dividends and other passive income of non-resident enterprises obtained from China shall be subject to standard withholding tax at the rate of 20%, while the Implementing Regulations thereof, which came into effect as of 1 January 2008, lowered that tax rate from 20% to 10%.

On 21 August 2006, the PRC and Hong Kong governments signed 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 (the "**Arrangement**"). According to the Arrangement, if the beneficial owner of the dividends is a resident of Hong Kong which is a company directly owning at least 25% of the capital of a PRC company which pays the dividends, the tax so charged shall not exceed 5% of the gross amount of the dividends.

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(c) Foreign Exchange Registration by Domestic Residents

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (“**SAFE Circular 75**”) which was released on 21 October 2005 by the SAFE and came into effect on 1 November 2005, a domestic resident who establishes or controls overseas special purpose companies, or contributes the assets or equity of a domestic enterprise it owns into a special purpose company, or engages in equity financing abroad after contributing assets or equity into a special purpose company, shall apply to the SAFE for completing the procedures for foreign exchange registration of overseas investments. Where there is a major capital modification event in the special purpose company such as capital increase or decrease, share transfer or exchange, merger or division, investment with long-term equity or credits, provision of guaranty to a foreign party, etc., the domestic resident shall, within 30 days of the major event, apply to the SAFE for completing the procedures for modification or archival filing of the foreign exchange registration of the overseas investments.

In addition, according to the Notice of Implementation Guidelines on the SAFE Circular 75 of the SAFE (the “**Implementation Notice 106 of the SAFE**”) issued by the SAFE on 29 May 2007, where a domestic resident enterprise has completed return investment via the overseas special purpose company (i.e. the enterprise receiving return investment has obtained the Foreign Exchange Registration Certificate), but fails to undergo foreign exchange registration of the overseas investments for the existing special purpose company, it shall complete the procedures of the foreign exchange retroactive registration of the overseas investments.

The industries we engage in do not fall into the restricted or prohibited category included in the Industrial Guidance Catalogue and the investment that we will make in the future will be in accordance with the national industry development policy. From the foregoing, the transfer by our Company of the funds to China from the issue of Shares and the use of such funds in China will not conflict with relevant PRC laws.

(d) Tendering and Bidding

Some of our products will be sold by tender or competitive bidding. Tender and bidding are governed by the Invitation and Submission of Bids Law of The People’s Republic of China (“the **Invitation and Submission of Bids Law**”) which was promulgated on 30 August 1999 and came into force as of 1 January 2000. According to the Invitation And Submission of Bids Law, bids must be invited for the following construction projects undertaken in the PRC: surveying for, and design, construction and supervision of the projects, as well as the procurement of important equipment, materials, etc. for the construction of: (1) projects with a bearing upon the public interest and public safety such as large-scale infrastructure projects, public utility projects, etc.; (2) projects that are totally or partially funded by the investment of State-owned funds or financed by the State; (3) projects using loans from international organisations or foreign governments, or aid funds. A bidder shall prepare its bid documents according to the requirements of the bid invitation documents. The bid documents shall respond to the substantive requirements and conditions put forward in the bid invitation documents. The winning bidder shall be determined by the bid inviting party on the basis of the written bid evaluation report submitted, and the candidates recommended, by the bid evaluation committee. Alternatively, the bid inviting party may authorise the bid evaluation committee to directly determine the winning bidder.

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(e) Product Quality

The principal law governing product liability in the PRC is the Product Quality Law (產品質量法) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and as amended on 8 July 2000.

Pursuant to the Product Quality Law, a seller is obliged to, among other things, adopt measures to keep products for sale in good quality, not sell defective or damaged products, comply with regulations regarding the labelling of products, not forge the origin of a product, not forge or use another manufacturer's authentication marks without authorisation, not substitute a fake product for a genuine product or a defective product for a high-quality product.

Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer where the defect is caused by the manufacturer.

(f) Quality Certificate

Some of the products produced by our Company require quality certification. Product quality certification is governed by the Provisions on the Administration of Compulsory Product Certification which was promulgated by the State Administration for Quality Supervision and Inspection and Quarantine on 3 July 2009 and entered into force as of 1 September 2009. Manufacturers and dealers of the products listed in the Catalogue of Products Subject to Compulsory Certification (the “**Catalogue of Certification**”) shall have the products they produce, sell, or import certified by certification organisations designated by Certification and Accreditation Administration of China. The products listed in the Catalogue that are not certified shall not be sold, imported, or utilised in other business activities.

(g) Environmental Protection

The Environment Protection Law of the People's Republic of China (the “**Environment Protection Law**”) was promulgated on and 26 December 1989, and became effective on the date of promulgation. According to the Environment Protection Law:

- (1) any entity discharging pollutants shall establish environmental protection rules and adopt effective measures to control or duly handle the waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other harms caused by it;
- (2) any entity discharging pollutants must report to and register with the relevant environmental protection department; and
- (3) any entity discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge.

The State Environmental Protection Administration shall conduct unified supervision and management of the environmental protection work throughout the country, and establish the national standards for the discharge of pollutants. The relevant departments of environmental protection administration of the local people's governments at or above the county level shall conduct unified supervision and management of the environmental protection work within areas under their jurisdiction. Government agencies will impose different sanctions on individuals or other entities that violate the Environment Protection Law according to the circumstances of the case and the pollution level. The sanctions include warnings, and fines. Entities that violate the Environment Protection Law may be ordered to rectify their pollution problems within a prescribed period of time, and to suspend activities that cause pollution.

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The statutory requirements relating to environmental protection applicable to our Group are set out in the Quality Standard of Wastewater Emitted to Urban Sewage (污水排入城市下水道水質標準), Comprehensive Emission Standard of Wastewater (污水綜合排放標準) and Industrial Enterprises Plant Premise Noise Standard (工業企業廠界噪聲標準). Based on the confirmation letters issued by the relevant local environmental bureaus, our PRC legal advisers, Grandall Legal Group (Shenzhen), have confirmed their opinion that all the PRC operating entities of our Group have complied with all relevant PRC environmental laws, rules and regulations. Grandall Legal Group (Shenzhen) have also confirmed that we are in full compliance with all relevant environmental laws, rules and regulations, have obtained all required permits and environmental approvals for our business and operations in the PRC, and no notice of environmental pollution was received by and no administrative penalty was imposed on our Group for violation of environmental rules and regulations during the Track Record Period.

(h) Loan and Guarantee

Lending activities involving financial institutions within the territory of China are governed by the Lending General Provisions (“the **General Provisions**”) which was promulgated on 28 June 1996 and became effective as of 1 August 1996. The General Provisions regulates the types, term and interest rates of loans, rights and obligations of borrowers, rights and obligations of lenders, and lending procedures, etc.

The provision of security in the PRC is governed by the Property Right Law of the People’s Republic of China which was promulgated on 16 March 2007 and became effective as of 1 October 2007 and the Guarantee Law of the People’s Republic of China which was promulgated on 30 June 1995 and became effective as of 1 October 1995. These two Laws regulate the security activities involving guarantee, pledge, mortgage, lien etc. In case of any conflict between these two Laws, the Property Right Law of the People’s Republic of China shall prevail.

(i) Land and Real Estate Administration, Premises Lease

Land administration in the PRC is governed by the Land Administration Law of the Peoples Republic of China (adopted at the 16th Session of the Standing Committee of the 6th National People’s Congress on 25 June 1986, amended for the first time in pursuance of the Decision of the 5th Session of the Standing Committee of the 7th National People’s Congress on Amending the Land Administration Law of the People’s Republic of China on 29 December 1988, revised at the 4th Session of the Standing Committee of the 9th National People’s Congress of the People’s Republic of China on 29 August 1998, and amended for the second time in pursuance of the Decision of the 11th Session the Standing Committee of the 10th National People’s Congress on Amending the Land Administration Law of the People’s Republic of China on 28 August 2004), and the Implementing Regulations of this Law, which regulates ownership and right of use of land, general plans for the utilisation of land, protection of cultivated land, and acquisition of land for construction purpose, etc.

Urban real estate administration in the PRC is governed by the Law of the People’s Republic of China on Urban Real Estate Administration (adopted at the 8th Session of the Standing Committee of the 8th National People’s Congress of the People’s Republic of China on 5 July 1994, and amended according to the Decision of the 29th meeting of the standing committee of the 10th National People’s Congress on Amending the Law of the People’s Republic of China on Urban Real Estate Administration on 30 August 2007), and its Implementing Regulations. This Law regulates the acquisition of the right to use the State-owned land within the designated urban area of the PRC for real estate development, the engagement in real estate development or transactions of real estate, and real estate administration.

Premises lease within the PRC shall comply with the Administration of the Leasing of Urban Premises Procedures (the “**Procedures**”) which was promulgated by the Ministry of Construction and effective as of 1 June 1995. The Procedures regulate lease contract of owners of premises that lease out their premises to lessees for residence, provide their premises to other parties for engaging in business activities or use their premises for engagement in business activities in cooperation with other parties, lease registration, rights and obligations of the parties, subleasing of premises, etc. Local government may formulate regulatory document on standardizing premises lease according to local specific situation.

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(j) Labor, Employment Contract and Social Insurance

Labor management in the PRC is governed by the Labor Law of the People's Republic of China (adopted at the 8th Session of the Standing Committee of the 8th National People's Congress on 5 July 1994 and effective as of 1 January 1995), and its Implementing Regulations of this Law, which regulates the making of labor contracts and collective contracts, and other matters like working hours, rests and leaves, wages, labor safety and sanitation, special protection for female staff and workers and juvenile workers, professional training, social insurance and welfare treatment, and labor disputes management, etc.

Employment contract management in the PRC is governed by the Law of People's Republic of China on Employment Contract (adopted at the 28th Session of the Standing Committee of the 10th National People's Congress on 29 June 2007 and effective as of 1 January 2008), which governs the establishment of employment relationships between organisations such as enterprises, individual economic organisations and private non-enterprise units within the territory of China and laborers, and the conclusion, performance, amendment, termination and ending of employment contracts, etc.

Social insurance in the PRC is governed by the Interim Regulation on the Collection and Payment of Social Insurance Premiums (effective as of 22 January 1999). Enterprises and individuals shall pay basic pensions, basic medical insurance premiums, unemployment insurance premiums and maternity insurance premiums in pursuance of this Interim Regulation. Payments in detail shall be carried out according to payment standards set forth by local governments from time to time.

(k) Intellectual Property Rights

The protection of exclusive trademark rights in the PRC is governed by the Trademark Law of the PRC (adopted at the 24th Session of the Standing Committee of the 5th National People's Congress on 23 August 1982, amended for the first time according to the Decision of the 30th Session the Standing Committee of the 7th National People's Congress on Amending the Trademark Law of the People's Republic of China of on 22 February 1993, and amended for the second time according to the Decision of the 24th Session of the Standing Committee of the 9th National People's Congress on Amending the Trademark Law of the People's Republic of China on 27 October 2001), and its Implementing Regulations. The aforementioned piece of legislation governs application for trademark registration, examination and approval of trademark registration, renewal, assignment and licensing of registered trademarks, ruling of disputes concerning registered trademarks, administration of the use of trademarks, and the protection of the right to exclusive use a registered trademark, etc.

The protection of patent right in the PRC is governed by the Patent Law of the People's Republic of China (adopted at the 4th Session of the Standing Committee of the 6th National People's Congress on 12 March 1984; amended for the first time by the Decision of the 27th Session of the Standing Committee of the 7th National People's Congress on Amending the Patent Law of the People's Republic of China on 4 September 1992; amended for the second time by the Decision of the 17th Session of the Standing Committee of the 9th National People's Congress on Amending the Patent Law of the People's Republic of China on 25 August 2000; amended for the third time by the Decision of the 6th Session of Standing Committee of the 11th National People's Congress on Amending the Patent Law of the People's Republic of China on 27 December 2008), and its Implementing Regulations. The aforementioned piece of legislation governs the conditions for granting patents, application for patents, examination and approval of patent applications, duration, termination and invalidation of patents, compulsory license for exploitation of patents, and protection of the patent rights, etc.

Our PRC legal advisers, Grandall Legal Group (Shenzhen), have confirmed that we are in full compliance with all relevant intellectual property laws, rules, and regulations and that there had been no incident of infringement or alleged infringement of a third party's intellectual property rights during the Track Record Period.