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As our Group's business is principally conducted in China, as advised by our PRC Legal Adviser, the following sets forth a summary of all the principal laws and regulations applicable to our business up to the Latest Practicable Date which include but not limited to the Law of the PRC on Production Safety (中華人民共和國安全生產法), the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on the Management of Port Operation (港口經營管理規定) and the Regulations on the Management of Hazardous Goods at Ports (港口危險貨物管理規定). Certain important provisions of the above laws and regulations relating to the industry of operation of hazardous chemicals and harbour equipment are set out below.

Our PRC Legal Adviser has advised us that we have complied in all material aspects with relevant regulatory requirements and except for the Sewage Discharge Permit of Nanjing Dragon Crown and the Hazardous Chemicals Storage Registration Certificate of Tianjin Tianlong which are under the process of renewal, have obtained all relevant permits/licenses for our operations. In relation to the Sewage Discharge Permit of Nanjing Dragon Crown, as confirmed by our PRC Legal Adviser, since we had submitted the renewal application within the time specified by the relevant regulatory authority and the environmental protection department of Nanjing Chemical Industry Park had confirmed that our renewal application was in compliance with the relevant requirements, our PRC Legal Adviser is not aware of any practical legal obstacles for Nanjing Dragon Crown to obtain the renewed Sewage Discharge Permit and continue its existing operation. It is unlikely that Nanjing Dragon Crown will be deemed to be in breach of the relevant laws in relation to the Sewage Discharge Permit. Accordingly, it is unlikely that there will be any potential penalties to be imposed on our Group. In relation to the Hazardous Chemicals Storage Registration Certificate of Tianjin Tianlong, as confirmed by our PRC Legal Adviser, since Tianjin Tianlong had submitted the renewal application to the relevant regulatory authority and Tianjin Tianlong had already obtained the valid Hazardous Chemicals Approval Certificate and Hazardous Chemicals Operation Permit for its operation, our PRC Legal Adviser is not aware of any practical legal obstacles for Tianjin Tianlong to obtain the renewed Hazardous Chemicals Storage Registration Certificate and continue its existing operation. Nonetheless, as the relevant PRC authority was still in the process of reviewing our renewal application, the renewed certificate had not yet been issued as of the Latest Practicable Date. As such, Tianjin Tianlong might technically be deemed to be in non-compliance with the relevant laws in relation to the Hazardous Chemicals Storage Registration Certificate and may be subject to a maximum penalty of RMB30,000.

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MAJOR ADMINISTRATIVE AUTHORITIES

We are subject to the regulation and administration by different levels of governmental authorities in the PRC. In particular, the State Administration of Work Safety and the PRC Ministry of transportation are two major bodies in the PRC that have nationwide jurisdiction over the hazardous chemical industry and the port operation industry.

- **The State Administration of Work Safety**

The State Administration of Work Safety (國家安全生產監督管理局) and its local counterparts are established to supervise the compliance by enterprises to the relevant laws and regulations concerning production safety, national or industrial standards, and shall have such duties and functions including but not limited to making inspections at the production and business operation site of enterprises, rectifying misconducts violating relevant laws and regulations, making decisions of administrative penalties, suspending production and business operation of the enterprise before any material potential risks have been secured to be avoided, sealing up or detaining the facilities and equipment that do not meet the national or industrial standards for guaranteeing production safety, and other functions stipulated by the law and regulations.

- **The PRC Ministry of Transportation**

The PRC Ministry of Transportation (中華人民共和國交通運輸部) and its local counterparts are responsible for, among other functions, the supervision over and inspection on the work safety of ports and the implementation of the present relevant laws and regulations, and shall publicise the result of inspection to society. It shall make special inspections on the wharfs where passengers embark and disembark intensively or where goods are loaded and unloaded in a large quantity or on the wharfs for particular purposes; and shall, when discovering any potential risks on safety during the inspection, order the person/port under inspection to eliminate it immediately or within a specific time limit.

REGULATIONS GOVERNING STORAGE OF DANGEROUS CHEMICALS

- **The Regulations on the Safety Management of Hazardous Chemicals**

The Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例) issued by the State Council on 26 January 2002 taking effect on 15 March 2002 governs the production, sale, storage, transport and use of hazardous chemicals and the disposition of waste hazardous chemicals by enterprises. “Hazardous chemicals” refer to explosives, compressed gas and liquefied gas, inflammable liquids, inflammable solids, self-igniting articles and articles inflammable in humid environment, oxidants and organic peroxides, toxicants and corrosives, etc. General hazardous chemicals are listed in the Catalogue of Hazardous Goods (GB12268) promulgated by the PRC government. Other hazardous chemicals that are not listed in the above catalogue and highly toxic chemicals are determined by relevant departments of the State Council.

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Enterprises that store hazardous chemicals shall meet the following requirements:

- (a) the facilities and equipment for storage shall meet the national standards;
- (b) the safety buffering distance around the factories and storehouses shall meet the national standards or other relevant provisions of the PRC;
- (c) managerial personnel and technological personnel shall be recruited for the operation of storage;
- (d) a sound and complete safety management system has been set up; and
- (e) other requirements that may be stipulated in relevant laws, regulations and the national standards have been met.

Any enterprises or persons that store hazardous chemicals shall obtain approval from competent authorities. Failure of obtaining such approval shall be penalised with a pending of business for rectification or even close of its business, and be confiscated of all the illegal income, if any. If the illegal income exceeds RMB100,000, a fine of more than time and less than five times of the illegal income shall be penalised concurrently; if there is no illegal income or the illegal income is less than RMB100,000, a fine of more than RMB50,000 and less than RMB500,000 shall be imposed concurrently; if the criminal laws are violated, the personnel in charge who are responsible for such violation and other personnel who takes direct responsibility shall be prosecuted for criminal liabilities.

- **The Implementation Measures on the Safety Permit for Hazardous Chemicals Construction Projects**

According to the Implementation Measures on the Safety Permit for Hazardous Chemicals Construction Projects (危險化學品建設項目安全許可實施辦法) issued by the State Administration of Work Safety on 2 September 2006 taking effect on 1 October 2006, the construction, reconstruction or expansion of the hazardous chemicals storage facilities and equipment shall be subject to safety permit and under supervision stipulated by these measures. The safety permit for construction projects refers to the safety review before establishment (including examination and approval, ratification and filing) of the construction projects, the review on the design of the safety facilities, and the completion-based check and acceptance of the safety facilities. Enterprises failed to obtain such safety permit for the construction projects are not allowed to use the facilities to conduct business.

- **Approval for Storage of Hazardous Chemicals in Different Provinces**

Our business operations in the PRC are located in Nanjing, Jiangsu Province, Tianjin Municipality, and Ningbo, Zhejiang Province, respectively. In the PRC, different forms of approval for storage of hazardous chemicals are taken by the governments of different provinces.

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– *Jiangsu Province*

In Jiangsu Province, provincial regulations do not require enterprises that only engage in storage of hazardous chemicals to obtain any certificate or permit, but local safe work administrations may further require filing with them for records. According to consultation with officials both from the Safe Work Administration of Jiangsu Province and the Safe Work Administration of Nanjing City, enterprises engaging in storage of hazardous chemicals in Nanjing shall file records with the administration in respect of such storage.

– *Tianjin Municipality*

According to the Regulations regarding the Issues about Establishment, Change, Dissolution or Annual Inspection of Hazardous Chemicals Enterprises (關於對危險化學品單位設立、變更、註銷、行業年審有關問題的規定) issued by Tianjin Economics Commission on 2 December 2003 and took effective on the same day, an enterprise engaging in storage of hazardous chemicals shall obtain a Certificate of Approval for Storage of Hazardous Chemicals. Enterprises holding such a certificate shall be inspected annually by the economics commission in respect of its operation of storage. If the enterprise does not pass the annual inspection, the certificate will then be revoked.

In addition, although storage of hazardous chemicals is not included in the scope of “wholesale, retail or setup of sales network outside chemical factories” which is subject to the Opinion regarding the Implementation of the Measures on the Administration of Permit for Sale of Hazardous Chemicals issued by the State Administration of Work Safety on 21 November 2002 taking effect on the same day, local practices, as consulted with officials from the Work Safety of Tianjin Municipality, still require such enterprises to obtain a Permit for Sale of Hazardous Chemicals.

– *Zhejiang Province*

According to the Implementation Measures for the Safety Management of Hazardous Chemicals in Zhejiang Province (浙江省危險化學品安全管理實施辦法) issued by the Zhejiang Province People’s Government on 23 December 2004 taking effect on 1 February 2005, enterprises engaging in storage of hazardous chemicals shall apply for examination to the competent work safe department, who shall then further apply to the government for final decision. If the government approves the application, it will entrust the work safe department to issue a certificate of approval to the enterprise, namely the Certificate of Approval for Production or Storage of Hazardous Chemicals in Zhejiang Province. As to the validity period of such certificate, the Circular regarding the Adjustment and Regulation on the Issues about the Certificate of Approval for Production (Storage) of Hazardous Chemicals (關於對危險化學品生產(儲存)批准書相關問題調整和規定的通知) issued by the Work Safe Administration of Zhejiang Province stipulated that the validity period shall commence on the date of approval and ends upon the dissolution of the enterprise or cease of storage of hazardous chemicals.

According to the Circular regarding the Opinion on Implementation of Safety Production Permit for Hazardous Chemicals Producers in Zhejiang Province (浙江省關於危險化學品生產企業安全生產許可證實施意見的通知) issued by the Work Safety

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Administration of Zhejiang Province on 20 October 2004, enterprises holding the Certificate of Approval for Production or Storage of Hazardous Chemicals in Zhejiang Province shall also obtain a Safety Production Permit for Hazardous Chemicals Producers.

REGULATIONS GOVERNING PORT OPERATION

- **Port Operation Permit**

According to the Regulations on the Administration of Port Operation (港口經營管理規定) issued by the Ministry of Transportation on 6 November 2009 and took effect on 1 March 2010, enterprises engaging in port operation shall obtain a Port Operation Permit from competent transportation authorities. The validity term of the permit is three years. Providing facilities such as a wharf for ships or providing for third parties with loading and unloading service of goods or storage service shall fall into the scope of “port operation”.

Enterprises engaging in port operation shall meet the following requirements:

- (a) having a fixed place of business;
- (b) the port facilities and equipment shall meet the business scope and scale of the enterprise;
- (c) technological personnel and managerial personnel who meet the business scope and scale of the enterprise shall be recruited; and
- (d) a sound and complete business operation system, safety management system and contingency plans for work accidents shall be set up.

Any enterprise engaging in port operation without a Port Operation Permit shall be ordered by the port administration to cease such illegal operation and be confiscated of all the illegal income. If the illegal income exceeds RMB100,000, a fine of more than two times and less than five times of the illegal income shall be imposed concurrently; if the illegal income is less than RMB100,000, a fine of more than RMB50,000 and less than RMB200,000 shall be imposed concurrently.

- **Permit for Handling Hazardous Goods at Ports**

According to the Regulations on the Administration of Hazardous Goods at Ports (港口危險貨物管理規定) issued by the Ministry of Transportation on 29 August 2003 and took effect on 1 January 2004, enterprises engaging in loading and unloading, lightering, storing or packing hazardous goods at ports shall obtain a Permit for Handling Hazardous Goods at Ports from competent port authorities. Enterprises without such a permit shall be confiscated of all the illegal income if any. If the illegal income exceeds RMB50,000, a fine of more than one time and less than five times of the illegal income shall be imposed concurrently; if there is no illegal income or the illegal income is less than RMB50,000, a fine of more than RMB20,000 and less than RMB200,000 shall be imposed concurrently; if the criminal laws are violated, the personnel in charge who are responsible for such

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violation and other personnel who takes direct responsibility shall be prosecuted for criminal liabilities. Enterprises engaging in handling hazardous goods that are not in the approved scope shall be penalised by the competent port authority with a fine of less than RMB30,000.

Construction, reconstruction and expansion of port facilities such as wharfs, warehouses or storage tanks for handling hazardous goods shall obtain approval from the competent port authority, and then apply for approval of construction in accordance with general procedures.

- **Safety of Port Facilities**

According to the PRC Safety Rules on Port Facilities (中華人民共和國港口設施保安規則) issued by the Ministry of Transportation on 17 December 2007, port operators shall meet the safety standards if they provide services through their port facilities for passenger ships of international lines, cargo ships of 500 metric tonnes or above, ships of 500 metric tonnes or above for special use, or mobile offshore drilling platform. Port authorities will issue a safety evaluation report to reflect the current safety situations of the port operator, who shall then according to the report make a safety plan to prevent potential events that may threaten the safety of the port.

- **Charging for Port Operation**

In order to regulate the charging for port operations, the Ministry of Transportation issued the Port Charging Rules respectively for foreign trade and domestic trade (港口收費規則(外貿部分)、港口收費規則(內貿部分)). The foreign trade section of the rules sets out detailed rates of charging for port operations such as pilotage and shifting-berth, towage, mooring and unmooring, berthing, opening and closing hatch, harbour dues for cargoes, loading and unloading with respect to ships of international lines and foreign trade cargoes, while the domestic trade section of the rules set out the rates of charging for port operations with respect to ships of domestic lines and domestic trade cargoes and cargo containers.

ENVIRONMENTAL PROTECTION

Enterprises in the PRC also need to comply with the relevant laws and regulations passed by the national and local government environmental protection departments. The major relevant laws are the Law of the PRC on Environmental Protection (中華人民共和國環境保護法), the Law of the PRC on Prevention of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Implementation Rules of the Law of the PRC on Prevention of Water Pollution (中華人民共和國水污染防治法實施細則), the Law of the PRC on Prevention 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 of the PRC on Prevention of Air Pollution (中華人民共和國大氣污染防治法).

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Enterprises discharging any pollutants in their daily operations and manufacturing shall observe the national discharge standards promulgated by the PRC Ministry of Environmental Protection, which has established various discharge standards, as amended and revised from time to time, with regard to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants.

According to the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) and the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the PRC government has set up a system to assess the environmental impact from construction of project, and classify and administer the environmental impact assessment in accordance with the degree of the environmental impact. For any project the construction of which may result in a material impact on the environment, an environmental impact report which thoroughly assesses the environmental impact is required; for any project which may result in a slight impact on the environment, an environmental impact record analysing or assesses the specific environmental impact is required; and for any project which may result in minimal impact on the environment, an environmental impact assessment is not required but filing an environmental impact form is required. Enterprises responsible for construction of the project must submit the aforesaid environmental impact documents to the relevant administrative departments of environmental protection for examination and approval. For any enterprise which fails to submit the aforesaid environmental impact documents according to PRC laws and regulations or if the documents are not approved after examination by the relevant administrative departments, the departments responsible for approving the relevant project shall not approve such project and the enterprise shall not commence the construction of the project.

On 26 December, 2009, the Standing Committee of the National People's Congress of the PRC promulgated the Law of the PRC on Tort Liability (中華人民共和國侵權責任法), which took effect on 1 July 2010. With respect to the environment, the law highlighted the principle that polluters are to assume liability in respect of harm caused by environmental pollution, irrespective of whether they have breached national environmental protection regulations. Under the new Tort Liability Law, the party that discharged the polluting substance bears the burden of proof to demonstrate that it is not liable for the harm in accordance with relevant provisions of the law, or that there is no causative link between its conduct and the harm caused to the victim. The law also provides that where the relevant environmental pollution was the fault of a third party, the person suffering harm as a consequence can claim compensation from either the third party itself or the party which actually discharged the polluting substance, while the pollutant discharging party may recover any damages paid to the victim from the third party if it can demonstrate that the environmental pollution was the third party's fault.

ENTERPRISE INCOME TAX

According to the Law of the PRC on the Enterprise Income Tax (中華人民共和國企業所得稅法) issued on 16 March 2007 and the Implementation Rules of the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法實施細則) issued on 6 December 2007 (collectively the “**EIT Law**”), which both took effect on 1 January 2008, the enterprise income tax rate for both domestic and foreign-invested enterprises are unified to 25%. For those enterprises established before 16 March 2007 and entitled to preferential income tax

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treatments by relevant tax laws and regulations, the EIT Law provides for a five-year transitional period, during which the applicable enterprise income tax rate shall be increased to the unified rate of 25% gradually.

According to the Notice of the State Council Regarding the Transitional Preferential Policy on the Implementation of the Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and took effect on 1 January 2008, enterprises that enjoy a “2-year exemption and 3-year half payment” treatment, a “5-year exemption and 5-year half payment” treatment of the enterprise income tax, or other preferential treatments in the form of periodic tax deductions and exemptions may continue to enjoy the relevant preferential treatments after the EIT Law took effect. Enterprises that were entitled to a preferential income tax rate of 15% shall be collected of enterprise income tax on an annually increased rate until up to 25% within five years commencing on 1 January 2008. The transitional rates are 18% for the year of 2008, 20% for the year of 2009, 22% for the year of 2010, 24% for the year of 2011, and 25% for the year of 2012.

LABOUR AND SOCIAL SECURITY

- **Labour Protection**

According to the PRC Labour Law (中華人民共和國勞動法), which took effect on 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by the national rules and standards on work place safety and sanitation, educate labour of work place safety and sanitation.

The PRC Labour Contract Law (中華人民共和國勞動合同法) effective on 1 January 2008 emphasises the conclusion of employment contracts in written form and imposes severe consequences for non-compliance. If the employer fails to conclude a written employment contract with an employee for one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. If the employer fails to conclude a written employment contract with an employee for more than one year after the actual commencement of work, an unfixed-term of contract is deemed to have been concluded. Enterprises and institutions are forbidden to force the employees to work beyond the time limit and the employers shall pay employees overtime work in accordance with national regulations. In addition, wages shall not be lower than local standards on minimum wages and shall be paid to the employees in a timely manner.

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● Social Insurance

On 28 October 2010, the PRC Social Insurance Law was adopted at the 17th session of the 11th Standing Committee of the National People's Congress and will take effect as of 1 July 2011. This new law provides some new means to be used to collect the social insurance premiums if an employer fails to fully pay the premiums, including checking the employer's bank accounts, ordering banks to withhold the outstanding amounts, requesting the employer to provide collateral, and applying to courts to detain, seize and auction off the assets of the employer. This law is also applicable to foreigners working in China. The employer may pay the mandatory social insurance for the foreign employees, and they will get the same social insurance benefits as Chinese employees. Where an employer fails to make fully social insurance contributions on time, it will be subject to a penalty for late payment at the rate of 0.05% per day. If this employer fails to make the overdue contributions within a specified period requested by the relevant authority, it will be subject to a fine up to three times of the overdue amount.

Before the new law takes effect, the social insurance system in China is regulated by the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) effective on 22 January 1999, the Provisional Measures regarding the Management on the Social Insurance Registration (社會保險登記管理暫行辦法) effective on 19 March 1999, the Decision regarding the Establishment of Basic Medical Insurance System for Employees in Cities and Towns (關於建立城鎮職工基本醫療保險制度的決定) effective on 14 December 1998, the Regulations on Unemployment Insurance (失業保險條例) effective on 22 January 1999, the Provisional Measures regarding the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) effective on 1 January 1995, the Regulations on Work Injury Insurance (工傷保險條例) effective on 1 January 2004, the Decision on the Establishment of Unified Basic Pension Insurance System for Enterprise Employees (關於建立統一的企業職工基本養老保險制度的決定) effective on 16 July 1997, the Administrative Regulations on Housing Funds (住房公積金管理條例) effective on 3 April 1999 and amended on 24 March 2002, and many other regulations.

REGULATORY COMPLIANCE

Our HSE department has implemented high standardised policies and measures to ensure compliance with applicable laws and regulations by applying a series of procedures for risk assessment and control. Such policies and measures cover all the internal departments in relation to our operations, and are imposed by our international and domestic customers, which include assessment of potential risks and implementation of control measures. The details are set out below.

Assessment of Potential Risks

We have established an assessment group led by the general manager and composed of technical personnel from each department to assess the potential risks in the course of our operations.

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The scope of the assessment mainly includes:

- (a) safety examination on each phase of planning, design, construction, production and operation;
- (b) all regular and irregular activities;
- (c) accidents and potential urgent matters;
- (d) activities of all onsite personnel;
- (e) transportation of products;
- (f) onsite facilities, equipment, vehicles and safety protection items;
- (g) breach of operation rules and safety production rules;
- (h) discharge, disuse, dismantlement and disposition of stuff; and
- (i) weather, earthquake and other natural disasters.

Within the above scope, we have adopted Job Hazard Analysis (JHA) and Safety Check List (SCL) as the major methods to assess the potential risk. Meanwhile, the following factors will be considered:

- (a) the characters of activities or operations;
- (b) the stage of progress in the course of working or in the system;
- (c) the purpose of danger analysis;
- (d) the complexity and scale of the system and the danger;
- (e) the possibility of potential risks;
- (f) the existing human resource and other resource;
- (g) the effectiveness of the information and data; and
- (h) compliance with laws and regulations.

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Implementation of Control Measures

By multiplying the factor of risk possibility by the factor of negative effect, a risk degree shall be concluded ranging from 1 to 25. Based on the risk degree, relevant control measures shall be implemented accordingly as described in the following table:

Risk Degree	Level	Control Measures	Implementing Time
20-25	unacceptable	to cease operation, make assessment on the improvement measures, and take action to lower the negative effect	immediately
15-16	material	to take emergency action to lower the risk, set up control procedurals for operations, conduct examination, measurement and assessment regularly	immediately or in the very near future
9-12	medium	to take into consideration setting up target and operational rules, strengthening training and communication	within two years
4-8	acceptable	to take into consideration setting up operational rules and working guidance, conducting examination regularly	when conditions and funds permit
<4	slight or ignorable	no measures need to be taken, but records shall be kept	-

In order to maintain compliance with applicable laws and regulations as described herein and to avoid any subsequent non-compliance issues in addition to the above policies and measures, we will implement the following measures upon the Listing as an internal guideline to improve compliance issues and our corporate governance in general. These measures include the following:

- The Board has designated Mr. LAU Chi Ming, Sammy, our deputy general manager of Nanjing Dragon Crown, to be our compliance officer of the Group. The Directors are of the view that, based on Mr. Lau's prior experience in ExxonMobil Hong Kong Limited in which he assumed management roles for HSE, logistics, operation and maintenance, Mr. Lau has the experience and expertise as the Group's compliance officer. In addition, in performing his duties as the compliance officer, Mr. LAU is assisted by our legal advisors in relation to legal and regulatory issues. The compliance officer will report to the Board when he is aware of or suspects that there is any deviation from the requirements, practice or procedures as set out in the compliance manual or that there is any potential breach of the relevant laws and regulations committed by any member of the Group.
- The compliance officer, with the assistance from the Group's legal advisers, will constantly check the publications from the PRC and Hong Kong authorities to ensure the Group has obtained all the licences and legal documents for its business development and operation.

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- The Group's management and employees will report to the compliance officer when they encounter any new legal and regulatory issues. The compliance officer will then consult the Group's legal advisers and report to the Board on the advice provided by the legal advisers. The Board will then make a decision on the necessary actions to be taken by the Group.

- The compliance officer will conduct quarterly review of the compliance issues based on an internal compliance checklist. The compliance officer will also liaise with the Group's PRC legal advisers from time to time in respect of any updates on PRC legal requirements.

- The above compliance measures will be reviewed quarterly and may be amended, revised or modified to ensure compliance with the prevailing laws, regulations, codes and practices.

SAFE REGISTRATION AND CSRC APPROVAL

On October 21, 2005, the SAFE issued the Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Offshore Special Purpose Vehicles, known as Circular No. 75, which became effective on November 1, 2005. The Circular No. 75 and related rules provide, among other things, that prior to establishing or acquiring direct or indirect interest of an offshore special purpose vehicle, for the purpose of financing that offshore special purpose vehicle with assets of, or equity interests in, a domestic PRC company, each PRC resident (whether a natural or legal person) holding direct or indirect interest in the offshore special purpose vehicle must complete prescribed registration procedures with the relevant local branch of the SAFE.

Our PRC Legal Adviser has advised us that since none of our shareholders is a PRC resident, our shareholders are not required to register with SAFE under the Circular No. 75.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006. The M&A Rules, among other things, requires the approval of the CSRC prior to an overseas listing of interest in an "offshore special purpose vehicle," which means an offshore company directly or indirectly controlled by PRC citizens or PRC non-foreign invested company within the PRC, or PRC domestic company, for the purpose of an overseas listing of the interest in a PRC domestic company.

Our PRC Legal Adviser has advised us that since none of our shareholders is a PRC citizen or a PRC domestic company, we are not a special purpose vehicle as defined in the M&A Rules, and therefore we are not required to apply to the CSRC for approval for the Listing.