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LAWS AND REGULATIONS RELATING TO THE PRINTING INDUSTRY IN THE PRC

Companies in the printing industry in the PRC have to comply with certain regulatory requirements established and published by the PRC government including but not limited to (i) the Regulations of Administration of Printing Industry (《印刷業管理條例》) promulgated and implemented on 2 August 2001 by the PRC State Council (中華人民共和國國務院); (ii) the Regulations on Publication Administration (《出版管理條例》) promulgated on 25 December 2001 and implemented on 1 February 2002 by the PRC State Council; (iii) the Administration Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) jointly promulgated on 18 July 2003 and implemented on 1 September 2003 by the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the Ministry of Public Security of the PRC (中華人民共和國公安部); (iv) the Temporary Regulations for the Establishment of Foreign Investment Printing Enterprises (《設立外商投資印刷企業暫行規定》) jointly promulgated and implemented by the General Administration of Press and Publication of the PRC and the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部) (now known as the Ministry of Commerce of the PRC (中華人民共和國商務部)) on 29 January 2002 and the Supplementary Provisions of the Temporary Regulations for the Establishment of Foreign Investment Printing Enterprises (《關於〈設立外商投資印刷企業暫行規定〉的補充規定》) jointly promulgated on 12 November 2008 and implemented on 1 January 2009 by the General Administration of Press and Publication of the PRC and the Ministry of Commerce of the PRC; and (v) the Temporary Regulations for the Qualifications of the Operators in the Printing Industry (《印刷業經營者資格條件暫行規定》) promulgated and implemented on 9 November 2001 by the General Administration of Press and Publication of the PRC (collectively, the “Printing Laws and Regulations”).

Pursuant to the Printing Laws and Regulations, foreign entities are allowed to set up foreign capital invested printing enterprises which can be (i) a joint venture or cooperation engaging in the printing industry in the PRC (a PRC partner is required); or (ii) a wholly foreign owned enterprise engaging in package segment of the printing industry. Moreover, any legal entities (including those foreign capital invested enterprises) or individuals engaging in printing business in the PRC must apply for a printing license from the publication administrative authority at the relevant provincial, autonomous region or municipal level. The printing license may not be leased, lent or transferred by any means. The Printing Laws and Regulations also stipulate that, upon obtaining approval from relevant administrative departments in charge of publishing, those foreign capital invested enterprises engaging in printing business may receive production orders from foreign publishers to print publications, packaging and decorative printed products and other printed products that are to be exported out of the PRC.

Furthermore, in accordance with the Temporary Regulations for the Qualification of the Operators in the Printing Industry, as mentioned above, in order to obtain a printing licence, applicants are required to: (i) submit the name of the enterprise and its bylaws; (ii) provide a well-defined scope of business; (iii) be in possession of production and business premises that can meet the needs of its scope of business, and necessary capital, equipment and other production and business conditions as well; (iv) be in possession of an organisational structure and staff that can meet the needs of its scope of business; and (v) fulfill other conditions stipulated by the relevant laws and administrative regulations. In addition to the provisions stipulated above, the approval of the establishment of a printing enterprise must also conform to the planning of the PRC relating to the total number, structure and distribution of the printing enterprises.

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LAWS AND REGULATIONS RELATING TO PROCESSING TRADE ARRANGEMENTS IN THE PRC

According to the Interim Measures for the Administration of Examination and Approval of Processing Trade (《加工貿易審批管理暫行辦法》) (the “**Interim Measures**”) (promulgated on 27 May 1999 and implemented on 1 June 1999 by the Ministry of Foreign Trade and Economic Cooperation of the PRC (now known as the Ministry of Commerce of the PRC), processing arrangements in the PRC refer to business activities involving the importing of all or part of the raw and auxiliary materials, parts and components, accessories, and packaging materials from abroad, and re-exporting the finished products after processing or assembling by PRC processing enterprises. Processing trade includes the processing of supplied materials and imported materials. In particular, processing of supplied materials refers to processing trade with materials supplied by foreign partners. Under such arrangement, PRC processing partners neither need to purchase materials with foreign currency nor reimburse its foreign partners with processing fees. However, the foreign partner shall take back all finished products for sale upon payment of the processing fees to PRC processing enterprises. A PRC processing enterprise shall be a manufacturing company with a legal person status or a factory established by an operating enterprise as non-legal person with business license and accounting independently with respect to the processing trade. In addition, the Interim Measures specify that approval from provincial level or the authorised district or county level departments of foreign economic relations and trade must be obtained by the PRC processing partner before it commences the processing activities.

Pursuant to the PRC Customs Supervision and Administration of Processing Trade Goods (《中華人民共和國海關對加工貿易貨物監管辦法》) (promulgated by the General Administration of Customs on 1 November 2010 and which came into effect on 5 December 2010), subject to the granting of the approval of customs and fulfillment of the required procedures, PRC processing partners may sub-contract processing work of its products to other sub-contractors. Upon completion of the sub-contracting processing, the processed products shall be returned to the PRC processing partners.

The Regulations of the Export-oriented Processing and Assembly Trade of Guangdong Province (《廣東省對外加工裝配業務條例》) issued by the Standing Committee of the Guangdong Provincial People's Congress on 28 November 2008, makes it clear that export-oriented processing and assembly companies may enter into contracts with foreign investors to coordinate and arrange the processing factory to manufacture products as agreed.

LAWS AND REGULATIONS RELATING TO QUALITY AND SAFETY OF PRODUCTS

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (“**Product Quality Law**”) was adopted by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000 and on 27 August 2009. The Product Quality Law is applicable to all production and marketing activities in China, and was formulated to strengthen the administration of rules pertaining to product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

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

The Interim Measures on the Administration of Quality Supervision of Printed Books and Periodicals (《書刊印刷產品質量監督管理暫行辦法》) (effected on 20 November 1992) and the Provisions on the Administration of Quality of Books (《圖書質量管理規定》) (effected on 1 March 2005) provide for special provisions with respect to quality supervision and inspection of printed books and periodicals. The printing of books and periodicals is subject to applicable quality standards and provisions in the contracts. Administrative penalties such as warnings, fines, suspension of business, and cancellation of printing license may be imposed in case of breaches of the above provisions.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) (“**Production Safety Law**”) was promulgated by the Standing Committee of the National People’s Congress on 29 June 2002 and became effective on 1 November 2002 and amended on 27 August 2009. The Production Safety Law provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property. The State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for the nationwide supervision and administration of the Production Safety Law. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions.

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

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LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

PRC Labour Law (《中華人民共和國勞動法》) which came into effect on 1 January 1995 and amended on 27 August 2009 stipulates general provisions with regard to labour contracts, working hours, wages, occupational safety and health, special protection for female staff and juvenile workers, vocational training, social insurance and welfare, and settlement of labor disputes. Enterprises failing to comply with the PRC Labour Law may be subject to warnings, fines, order to pay compensation, and cancellation of business license. Criminal liabilities may also be imposed for serious violations.

On 29 June 2007, the National People's Congress enacted the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which became effective on 1 January 2008. The Implementation Regulation for the PRC Labour Contract Law, or the Implementation Regulation (《中華人民共和國勞動合同法實施條例》), was promulgated by the State Council and took effect on 18 September 2008. The Labour Contract Law formalises, among others, workers' rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labour contracts. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts. Both the employer or the employee is entitled to terminate the labour contract in circumstances as prescribed in the Labour Contract Law or if certain preconditions are fulfilled, and in certain cases, the employer is required to make a statutory severance payment upon the termination of the labour contract pursuant to the standards provided by the Labour Contract Law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The PRC Environmental Protection Law (《中華人民共和國環境保護法》) (effected on 26 December 1989), the PRC Law on Appraisal of Environment Impact (《中華人民共和國環境影響評價法》) (effected on 1 September 2003), and the Regulations on Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (effected on 29 November 1998), together set out the legal framework on, among others, the design and construction requirements of production facilities of the Processing Facility in respect of pollution control and environmental protection. The PRC Law on the Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》) (effected on 1 September 2000), the PRC Law on the Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) (effected on 1 June 2008), the PRC Law on the Prevention and Treatment of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) (effected on 1 March 1997) and the PRC Law on the Prevention and Treatment of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) (effected on 1 April 2005) together impose further requirements on the Processing Facility on the discharge and treatment of waste by-products, including wastewater and chemical waste.

A person or an enterprise falling to comply with the Environmental Protection Law may be subject to various penalties imposed by environmental protection authorities, depending on the individual circumstances of each case and the extent of contamination. Such penalties may include warnings, fines, imposition of deadlines for remedying the contamination and orders to close down enterprises. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

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LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO AUSTRALIA

The Group's export sales also cover Australia, which are subject to the relevant Australian importation laws, rules and regulations. A summary of those laws, rules and regulations applicable to the Group's business is set out below.

In Australia, the Customs Act 1901 (the "**Customs Act**") governs the importation of all goods into Australia by establishing a system of tariffs and charges and regulating the types of goods which may be imported, identifying those goods that are prohibited entry goods as well as those that are subject to import restrictions. The importation of certain publications, such as those containing overly offensive or objectionable material, may be refused entry to Australia or eligible for import only if the necessary classification and approval is sought from the Australian Classification Board.

Import restriction and consumer protection

In conjunction with the Customs Act, the Customs (Prohibited Imports) Regulations 1956 ("**Regulations**") restrict or may impose conditions on the importation of "objectionable goods" into Australia.

Objectionable goods in general include books and other publications that describe, depict, express or otherwise deal with matters of sex, drug misuse, addiction, crime, cruelty, violence, terrorist's acts or revolting or abhorrent phenomena in such a way that would offend against the standards of morality, decency and propriety generally accepted by reasonable adults. The Classification (Publications, Films and Computer Games) Act 1995 ("**Classification Act**") has similar effect on imported publications and products, requiring that publications which are likely to cause offence to reasonable adults be subject to import and sale restrictions, including measures which regulate labeling, packaging and location of products for sale.

On this basis, the importation of illustrated leisure and lifestyle books (including photography books, cookbooks and art books), educational text books and learning materials (including primary secondary and tertiary level school book) and children's books is not likely to require classification applications to the Classification Board of Australia.

The Copyright Act 1968 affects the importation of publications and books into Australia by making it an offence to import published material where importation infringes the copyright of an Australian copyright owner. Where published material is likely to infringe Australian copyright and is imported without a licence from the Australian copyright owner, Australian Customs may seize the goods to prevent their entry into Australia and the importer may also be subject to further legal action by the copyright owner.

The Copyright Act also applies territorial protection for Australian copyright owners by prohibiting parallel imports of books. Subject to some exceptions, Australian booksellers are prohibited from importing foreign-published copies of a book without the permission of the Australian copyright owner.

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Customs and other duties

In Australia, imported goods are subject to a general tariff rate of about 5% (plus 10% goods and services tax) of the import value of the goods. Depending on the nature of imported publications and printed products, the prevailing applicable tariff rate is nil, though importers will be liable for any processing charges incurred by Australian Customs in processing, inspecting and clearing the imported goods.

The legal advisers of the Company as to Australia law are of the opinion that 1010 PIL is in compliance with all Australian laws and regulations in relation to import tariffs, import restrictions and consumer protection, based solely on information provided by 1010 Group and 1010 PIL and subject to a number of qualifications and assumptions, including that 1010 Group and 1010 PIL have provided all such information and documents as considered by the said companies to be relevant to the matters in this respect and that the information provided cannot be independently verified for completeness or accuracy.

The legal advisers of the Company as to Australian law are also of the opinion that 1010 Printing (Australia) Pty Ltd, the Australian subsidiary of the Group, is in compliance with all applicable Australian laws and regulations, subject to a number of qualifications and assumptions, including that 1010 Printing (Australia) Pty Limited has provided all such information and documents as considered by it to be relevant to the matters in this respect and that the information provided cannot be independently verified for completeness or accuracy.

LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO THE U.K.

Import quota/tariff

Imports into the U.K. are generally covered by European Union regulations. The common rules for imports are contained in Council Regulation (EC) No 260/2009.

Books and printed materials are exempted from value added tax and duty. No tariff quota is applicable to books and other printed materials.

Consumer protection

In the U.K., consumers are protected by the Consumer Protection Act 1987 ("**Consumer Protection Act**"), which covers almost all consumer goods, and thus books and printed materials.

Under the Consumer Protection Act, the producer, manufacturer, or whoever is involved in the supply chain of a product is liable for a defective product and an importer bringing the product into the U.K. from a place outside the European Union, will be liable as such.

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Product safety

In the U.K., product safety is regulated by the General Product Safety Regulations 2005, which covers all products, including books and printed materials. In particular, Regulation 5 specifies the general safety requirement that products should not be placed on the market unless they are safe products.

The legal advisers of the Company as to English law have confirmed that in their opinion it is unlikely that there would be any significant risks related to books and other printed materials as far as product safety is concerned. However, this does not relieve the Company of its duty to ensure its products are indeed safe.

The legal advisers of the Company as to English law have advised that they are not aware of any non-compliance on the part of the U.K. subsidiary of the Company with the relevant safety and consumer protection laws having made their enquiries.

LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO THE UNITED STATES

Product safety and consumer protection

All consumers goods imported into the U.S. must meet the safety standards imposed by both legislations and regulations. A summary of these applicable legislations and regulations is set out below.

Consumer Product Safety Act ("CPSA"; 15 U.S.C.A. §§ 2051 et seq.)

CPSA, in principle, (i) protects consumers against unreasonable risks of injury associated with consumer products; (ii) helps consumers to evaluate consumer goods; (iii) creates uniform national safety standards; and (iv) promotes research and investigations in consumer product safety.

CPSA imposes legal duties on manufacturers, distributors and retailers (collectively "**Certifying Parties**") to publicly certify that their products comply with all rules, bans, standards or regulations applicable to such consumer products if such products are subject to such rules, bans, standards or regulations. CPSA also requires Certifying Parties to label or test their products with a certain safety standards.

All CPSA certificates of compliance must follow the shipment of the certified goods and reach the distributors and the retailers. They must also be filed with United States Consumer Product Safety Commission ("**CPSC**") upon request. There are two types of certifications in this respect (16 C.F.R. Part 1110 and 15 U.S.C.A. § 2063):-

- (i) A general certification pursuant to section 14(a)(1); and
- (ii) A certification based on third party testing pursuant to section 14(a)(2).

Flammable Fabrics Act ("FFA"; 15 U.S.C.A. §§ 1191 et seq.)

FFA prohibits consumer products that contain fabrics that are flammable within a standard set by CPSC, i.e. faster than 1.2 inch per second and among others, introduction or delivery of any misbranded hazardous substances or banned substances.

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Consumer Product Safety Improvement Act of 2008 (“CPSIA”; 15 U.S.C.A. §§ 2052, 2054, 2055, 2055a, 2056a, 2056b, 2057c, 2058, 2060, 2063-2070, 2073, 2076, 2076b, 2077, 2078, 2079, 2081, 2082 and 2086-2089)

CPSIA establishes mandatory toy safety standards, i.e. ASTM International Standard F963-07 (“**ASTM Standard**”). All manufacturers must submit samples of children’s toys to a third party conformity assessment body to be tested for compliance with ASTM Standard. In addition, CPSIA permanently bans three types of phthalates, DEHP, DBP and BBP, (all in concentration of more than 0.1%) in toys or child care articles. Three additional phthalates, (all in concentration of more than 0.1%), in toys or child care articles, have been banned in the interim.

Poison Prevention Packaging Act (“PPPA”; 15 U.S.C.A. §§ 1471 et seq.) and Federal Hazardous Substances Act (“FHSA”; 15 U.S.C.A. 1261 et seq.).

FHSA, for children’s products, prohibits lead that is more than 300 ppm, while PPPA requires special packaging to protect children from household substances.

Subject to the limitations expressed in their legal opinion, the legal advisers of the Company as to the U.S. law are of the opinion that the products of the Group comply with the aforesaid products safety standards and requirements imposed by the regulations of CPSC and other federal laws of the U.S.

Import restriction/tariff

Importations into the U.S. are generally covered by Title 19 of the United States Code. Title 19, and its corresponding regulations, are currently implemented and enforced by the United States Customs and Border Protection which is under the Department of Homeland Security.

Any goods or merchandises can be imported into the U.S. unless specifically prohibited. The laws and regulations of the U.S. expressly prohibit the importation of the following types of goods:–

- Goods containing immoral, obscene, or illegal articles or publications;
- Goods produced or manufactured wholly or in part by convicts or forced labour, including forced or indentured child labour;
- With certain exceptions, any wild mammal or bird, alive or dead, contrary to the laws or regulations of any foreign country;
- Goods exported by a foreign country that unjustly discriminates against any product of the U.S.;
- Goods “manufactured” from imported materials within bonded warehouses;
- Copyrighted articles;
- Controlled substances or any narcotic drug described therein, except where necessary for medical, scientific, or other legitimate purposes;

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- Natural gas from a foreign country, except with the consent of the Federal Energy-Regulatory Commission;
- Raw ivory from non-ivory producing countries;
- Components, materials, or apparatus for use in a patented machine or process;
- Certain weapons;
- Certain agricultural commodities or products manufactured therefrom, or textiles or textile products;
- Endangered species;
- Certain wild or exotic birds;
- Seeds;
- Articles imported under such conditions and in such quantities as to materially interfere with any Department of Agriculture program;
- Certain foreign produce, adulterated or misbranded meat, milk and cream, slaughtered poultry and eggs;
- Serums, toxins, viruses and analogous products;
- Animals; and
- Fish or game.

Duties and tariffs for any imported goods are governed by the Harmonized Tariff Schedule of the United States (“**USHTS**”). Under the USHTS, the products of the Group fall under the categories of books and printed materials which are exempted from any tariffs and duties.

Subject to the limitations expressed in their legal opinion, the legal advisers of the Company as to U.S. law are of the opinion that the products of the Group do not fall within the above prohibited types of goods and are thus importable into the U.S. and are not subject to tariffs and duties of the U.S.