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

ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by our Company Law of PRC (中華人民共和國公司法) (the **"Company Law"**), which was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and took effect from 1 July 1994. It was last amended on 27 October 2005 and took effect from 1 January 2006. Under our Company Law, companies are generally classified into two categories — limited liability companies and companies limited by shares. Our Company Law also applies to foreign-invested limited liability companies. According to our Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a WFOE are regulated by the Wholly Foreign-owned Enterprise Law of PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law"**), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in PRC conducted by foreign investors and foreign-owned enterprises is governed by The Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the **"Catalogue"**), which was amended and promulgated by the Ministry of Commerce of PRC (中華人民共和國商務部) and the National Development and Reform Commission of PRC (中華人民共和國國家發展和改革委員會) on 31 October 2007, and took effect from 1 December 2007. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically barred by other PRC laws and regulations. WFOEs are often permitted to establish in encouraged industries. However, some encouraged industries and restricted industries are limited to Sino-foreign equity or contractual joint ventures, with the Chinese investor in some cases required to be the majority shareholder. Restricted industry projects are also subject to higher-level government approvals. Prohibited industries are closed to foreign investment.

MANUFACTURE AND SALE OF COSMETICS AND PESTICIDES

Pursuant to the Regulations on The Hygiene Supervision Over Cosmetics (化妝品衛生監督條例), which was promulgated on 13 November 1989, and took effect from 1 January 1990, and Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (化妝品衛生監督條例實施細則), which was last amended on 20 May 2005 and took effect from the same date, the hygiene license system is implemented by the State in the hygiene supervision of cosmetics production enterprises. The provincial health administration department shall be responsible for the approval and issuance of Hygiene License for Cosmetics Production Enterprise (化妝品生產企業衛生許可證) with a validity period of four years from the date of its issuance. No entity is permitted to engage in the production of cosmetics products without a hygiene license for cosmetics production enterprise. Furthermore, where a cosmetics production

enterprise changes the location of its factory, establishes a branch factory or a workshop off-site, it shall apply to the health administrative department of the province, autonomous region or municipality directly under the Central Government for a Hygiene License for Cosmetics Production Enterprises. The branch (workshop) shall be indicated on the Hygiene License for Cosmetics Production Enterprise. Furthermore, the following procedures are required to be completed to obtain approval to manufacture special cosmetic products in PRC: firstly the health administrative department of each province, autonomous region or municipality directly under the Central Government shall conduct and complete a preliminary examination within three months as of the next day upon receipt of all declaration materials from the applicant, and work out a reply on whether or not to report it to the Ministry of Health for re-examination. Once a positive reply is obtained, the human trial or patch test of special cosmetics shall be conducted by an entity as approved by the health administrative department under the State Council on the relevant products. The entity shall issue a final report within one month upon conclusion of the human trial or patch test as entrusted by an enterprise, and submit it to the Ministry of Health with a copy to the entrusting entity. The health administrative department under the State Council shall then convene an appraisal group for re-examination of the safety of cosmetics within six months upon receipt of preliminary examination materials and the report on human trial or patch test, and issue a final decision on the application within two months after the re-examination. Besides, persons (including a temporary worker) directly engaged in the production of cosmetics shall be subject to annual physical check-ups and only those who obtain health certificates issued by the health administrative department are qualified for engagement in the cosmetics production. Furthermore, raw materials, accessorial materials as well as containers and packaging materials which are directly exposed to the cosmetics shall conform to the national health standards.

In accordance with the Regulations on The Hygiene Supervision Over Cosmetics (化妝品衛生監督條例) as well as the Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (化妝品衛生監督條例實施細則), the cosmetics production enterprises shall subject its products to hygienic inspections in accordance with the health standards of the State regarding cosmetics before the qualified ones are permitted into the market. In addition to that, within two months after the cosmetics products are put into the market, the enterprise that produces non-special cosmetics shall provide the prescribed materials and samples, and report to the health administrative department of the province, autonomous region or municipality directly under the Central Government for archival filing.

Under the Regulations on The Hygiene Supervision Over Cosmetics (化妝品衛生監督條例) as well as Detailed Rules for the Implementation of the Regulation on the Hygiene Supervision over Cosmetics (化妝品衛生監督條例實施細則), the use of new raw materials (natural or synthetic materials used in the production of cosmetics for the first time within PRC) for the production of cosmetics shall be subject to approval by the health administrative department under the State Council. Similarly, the production of special cosmetics products shall only be conducted upon the approval by the health administrative department under the State Council. Besides, those who intend to import the cosmetics into PRC for the first time shall apply to the health administrative department under the State Council for approval before entering into any contract for the relevant import.

Pursuant to the Administrative Regulations of PRC on the Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例), which was promulgated on 9 July 2005 and took effect from 1 September 2005, and the Implementing Measures for the Regulations for Administration of Production License of Industrial Products of PRC (中華人民共和國工業產品生產許可證管理條例實施辦法), which was last amended on 21 April 2010 and

became effective from 1 June 2010, only enterprises granted with the Production License are eligible to produce the important industrial products for which a production licensing system is implemented by the State. Similarly, entities or individuals are required to obtain the Production License for the sale or use of any such product in commercial activities. The period of validity of Production License is five years, other than for Production Licenses for food processing enterprises, for which the period of validity is three years. Where, during the period of validity of a Production License, there is any change in the relevant standards and requirements for the product,, the competent authorities may organise a further examination and inspection in accordance with the provisions of relevant Regulations. If during the period of validity of a Production License, there is a change in the production conditions, inspection method, production technology or technique of the enterprise, the enterprise shall file an application with the relevant authorities, and the competent authorities shall organise a further examination and inspection in light of the provisions of the relevant Regulations.

In accordance with the Regulations on Pesticide Administration (農藥管理條例) as well as Management of the Pesticides Production(農藥生產管理辦法), an applicant must obtain the Registration Certificate for Pesticide prior to applying for the approval documents for pesticides production.

An applicant shall provide pesticide samples to the relevant central agricultural authority in PRC or provide pesticide samples to the relevant provincial agricultural authority which in turn will pass those samples to the relevant central agricultural authority in PRC for examination. Such an applicant additionally needs to submit the relevant application materials to the central agricultural authority in PRC, including information regarding the chemical and toxicological properties, efficacy, residue and effects on the environment as well as labels of the pesticides. Such materials shall, after being examined and signed with written comments respectively by the administrative departments of agriculture, licensing administration of industrial products, public health and environmental protection of the State Council and the All-China Federation of Supply and Marketing Cooperatives, be appraised by the review and adjudication board of pesticide registration regarding the chemical and toxicological properties, efficacy, residue and the pesticides' effects on the environment. Based on the appraisal of the review and adjudication board, those pesticides that are up to the qualifications shall be issued a Registration Certificate for Pesticide by the competent administrative department of agriculture of the State Council.

The applicant enterprise should prepare the necessary materials as statutory required, and submit the application to the provincial administration to obtain approval for pesticides production. The provincial administration shall, in addition to conduct an initial examination on the application materials provided by the enterprise, be responsible for the organization of on-site examination and product quality sample test, and should accurately complete the Production Condition Examination Chart of the Certificate of Production for Pesticides and then submit the application materials which have passed the initial examination together with the production condition examination chart of the certificate of production for pesticides to the central competent authority which should complete the examination and make a decision within 20 working days after receiving the application materials. If a decision cannot be made within 20 days, an extension of 10 days can be obtained upon the approval of the central competent authority. For the enterprises that have passed the examination, the certificate of production will be issued and publicized.

According to the Administrative Regulations on Cosmetics Labeling (化妝品標識管理規定), which was promulgated on 27 August 2007 and took effect from 1 September 2008, cosmetics

labeling shall be authentic, accurate, scientific and legal. Relevant items such as the descriptions of cosmetics, the actual production and processing place of cosmetics, the name and the addresses of the producers, the production dates and the term of use as well as a table showing all ingredients are required to be marked on the cosmetics labels. For cosmetics those may cause harm to or those may endanger physical health and safety due to improper use or conservation and those that are applied on special people such as children, information requiring attention, warning instructions in Chinese and the conservation conditions complying with the term of use and safety shall be further marked on the cosmetics labels. Besides, cosmetics labels shall be directly marked on the smallest sales unit (packing) of the cosmetics. Where cosmetics carry instructions, the instructions shall be enclosed in the smallest sales unit (packing) of the products. Cosmetics labels shall not be separated from the cosmetics wrappings (containers).

FOREIGN-INVESTMENT IN COMMERCIAL FIELD

Pursuant to the Measures for The Administration On Foreign Investment In Commercial Field (外商投資商業領域管理辦法), which were promulgated on 16 April 2004 and took effect from 1 June 2004, all foreign-invested commercial enterprises (see below) must meet the following conditions: (A) the minimum registered capital must accord with the relevant provisions as stated in our Company Law; (B) the relevant provisions as to the registered capital and total investment of the foreign-invested enterprises must be complied with; (C) the period of operation of a foreign-invested commercial enterprise must not exceed 30 years in general, and the term of operation of a foreign-invested commercial enterprise established in the middle and western areas must not exceed 40 years in general. Foreign-funded commercial enterprises refer to enterprises with foreign investment engaged in commission agency, wholesale, retail or franchising.

According to the Circular of the MOFCOM on Delegating Matters Concerning the Examination and Approval of Foreign-invested Commercial Enterprises (商務部關於下放外商投資商業企業審批事項的通知), which was promulgated and took effect from 12 September 2008, the establishment of commercial enterprises with foreign investment and changes in the relevant registration details as to the established foreign-invested commercial enterprises shall be examined and verified by the commercial departments at provincial level, except that the MOFCOM shall continue to examine and approve the establishment and changes in the relevant items as to the foreign-invested enterprise that engaged in non-store retailing through television, telephone, mail order, Internet, vending machines, etc. or which deal with the wholesale of audio-visual products or the sale of books, newspapers and periodicals.

According to the Circular of the Foreign Trade and Economic Cooperation Department of Fujian Province on Delegating Matters Concerning The Examination and Approval of Foreign-invested Enterprises in Encouraged Industries and Foreign-invested wholesale Enterprises (福建省對外貿易經濟合作廳關於下放外商投資鼓勵類及商業批發企業審批事項的通知), which was promulgated on 29 December 2008 and took effect from the same date, the establishment of foreign-invested enterprises with an investment amount of less than USD100 million and which engage in the wholesale of general commodities in encouraged and permitted industries, and the expansion of the business scope of foreign-invested enterprises to undertake the wholesale of the aforesaid commodities, as well as the establishment of enterprise to engage in the wholesale of the aforesaid commodities by foreign-invested enterprises shall be subject to examination and approval by Foreign Trade and Economic Cooperation Departments in cities. While the Foreign Trade and Economic Cooperation Department of Fujian Province is still in charge of the examination and approval of the establishment and relevant registration details of foreign-invested commercials enterprises which engage in the wholesale of commodities in restricted industries, that conduct

sales through television, telephone, mail order, internet or vending machines or that engage in other non-store sales, the establishment of commercial enterprises by way of merger as well as the investment in commercial enterprises in restricted industries by foreign-invested enterprises.

IMPORT AND EXPORT OF GOODS

Pursuant to the Foreign Trade Law of PRC (中華人民共和國對外貿易法) (the **"Foreign Trade Law"**), which was revised on 6 April 2004 and took effect from 1 July 2004, foreign trade dealers engaged in the import and export of goods or technologies shall register with the authority responsible for foreign trade under the State Council or its authorised bodies unless the laws and regulations and the authority responsible for foreign trade under the State Council do not so require. Where foreign trade dealers fail to register as required, the customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

According to the Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-funded Enterprises(商務部關於外商投資企業外貿權備案登記有關問題的通知), which was promulgated and took effect from 17 August 2004, where foreign-funded enterprises duly established apply for the addition of any import/export business to their approved scope of business, they must, in accordance with the Measures for the Record-keeping and Registration by Foreign Trade Dealers(對外貿易經營者備案登記辦法), complete the formalities of adding business items to the enterprises' business licenses and shall, in accordance with the relevant procedures, complete the formalities of record-keeping and registration (note: no formalities of change are required in regard to the approval certificate for its establishment) on the strength of the approval certificate for its establishment, business license with the additional business, and any other documents as required under the Measures for the Record-keeping and Registration. The registration authorities shall affix a stamp indicating "business of distribution of import goods excluded" on the registration form.

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by PRC Customs Authorities(中華人民共和國海關對報關單位註冊登記管理規定), which was promulgated on 31 March 2005 and took effect from 1 June 2005, consignors or consignees of import or export goods (as defined below) shall go through registration formalities with their local customs authorities in accordance with the applicable provisions. After going through the registration formalities with customs authorities, consignors or consignees of import or export goods (as defined below) may handle their own declarations at any customs port or any other places where customs supervisory affairs are concentrated within the customs territory of PRC. A PRC Customs Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods shall be valid for a period of 3 years. "Consignor or consignee of export or import goods" means any legal person, other organisation or individual that directly imports or exports goods within the territory of PRC.

TAXATION

Income tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of PRC (中華人民共和國外商投資企業和外國企業所得稅法) (the "**FIE Tax Law**") promulgated on 9 April 1991

and took effect from 1 July 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a national income tax at the rate of 30% and a local income tax at the rate of 3% unless a lower rate was provided by laws or administrative regulations. The income tax on (a) foreign-invested enterprises established in Special Economic Zones, (b) foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations and (c) foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was 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, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than ten years was exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a 50% reduction in the following three consecutive years.

According to the new Enterprise Income Tax Law of PRC (中華人民共和國企業所得税法) (the "New Tax Law"), which was promulgated on 16 March 2007 and took effect from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. The Implementation Rules To the New Tax Law (中華人民共和國企業所得税法實施條例) (the "Implementation Rules") was promulgated on 6 December 2007 and took effect from 1 January 2008. The New Tax Law provides certain relief during the transaction period to enterprises that were established prior to 16 March 2007: (i) if foreign-invested enterprises enjoy reduced tax rates under the old laws and regulations, the tax rate will be gradually increased to the new tax rate within five years starting from 2008; and (ii) if foreign-invested enterprises enjoy tax holidays for a fixed period under the old laws and regulations, such foreign-invested enterprises can continue the holiday until its expiry. However, if an enterprise has not started to enjoy the tax holiday due to the lack of profit, 2008 will be regarded as the first profit-making year and the enterprise should start to enjoy the tax holiday as from 2008.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of PRC (中華人民共和國增值税暫行條例), last amended on 5 November 2008 and took effect from 1 January 2009, and its implementation rules which were revised on 15 December 2008 and took effect from 1 January 2009, all entities or individuals in PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the import of goods are required to pay value-added tax ("VAT"). The amount of VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% for those engaging in the sale or import of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 of the Provisional Regulations on Value-added Tax of PRC. The tax rate is also 17% for those providing processing services, repairs and replacement services.

Consumption tax

Pursuant to the Tentative Regulations of PRC on Consumption Tax (中華人民共和國消費税暫行條例), last amended on 5 November 2008 and took effect from 1 January 2009, institutions or individuals that manufacture, subcontract the processing of, or import consumer goods specified and other institutions or individuals that are recognised by the State Council as engaged in selling consumer goods specified are required to pay consumption tax. The consumption tax is computed on the basis of the value, volume or the combination of the value and

volume of the goods. Cosmetics the Taxable Item of Consumption Tax and the tax payable is the product of the value of the cosmetics and the tax rate as 30% of the value of the cosmetics.

Urban Maintenance and Construction Tax and Education Surtax

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated and took effect from 18 October 2010, from 1 December 2010, the Tentative Regulations of PRC on Urban Maintenance and Construction Tax promulgated in 1985 and the Tentative Provisions on the Collection of Educational Surtax promulgated in 1986 by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Pursuant to the Tentative Regulations of PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例), which was promulgated on 8 February 1985 and took effect from 1985, and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (國家稅務總局關於城市維護建設稅徵收問題的通知), which was promulgated on 12 March 1994 and took effect from 1 January 1994, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be paid simultaneously with payment of the consumption tax, value-added tax and business tax. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, a county town or town and a place other than a city, county town or town respectively.

In accordance with the Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定), which was last revised on 20 August 2005 and took effect from 1 October 2005, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of the value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with payment of the value-added tax, business tax and consumption tax.

FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of PRC (中華人民共和國外匯管理條例) (the **"Foreign Exchange Administration Rules"**). They were promulgated by the State Council of PRC (中華人民共和國國務院) on 29 January 1996 and took effect from 1 April 1996 and were amended on 14 January 1997 and 1 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, unless with prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (board resolutions, tax certificates, etc.), or for trade and services related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency to satisfy foreign exchange liabilities, subject to a cap approval by SAFE. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities and derivative products abroad are subject to registration with the competent SAFE and approval or filings with the relevant governmental authorities (if necessary).

Dividend distribution

Before the promulgation of the New Tax Law, the principal regulations governing the distribution of dividends paid by WFOEs include the Wholly Foreign-owned Enterprise Law, the FIE Tax Law and their respective Implementation Regulations.

Under these laws and regulations, WFOEs in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempt from withholding tax. However, this exemption is revoked by the New Tax Law which prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Rules reduced the rate from 20% to 10%, effective from 1 January 2008.

PRC and the government of Hong Kong SAR signed the Arrangement between the Mainland of PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the **"Arrangement"**). According to the Arrangement, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知), which was promulgated and took effect from 2 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax treaty agreement needs to be entitled to such tax treaty agreement treatment as being taxed at a tax rate specified in the tax treaty agreement for the dividends paid to it by a Chinese resident company: a) such a fiscal resident who obtains dividends should be a company as provided in the tax treaty agreement; b) the equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reached a percentage specified in the tax treaty agreement.

In addition, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受税收協定待遇管理辦法(試行)) (the "**Administrative Measures**") which came into force on 1 October 2009, where a non-resident enterprise (as defined under PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy

the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without the approval, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of PRC (中華人民共和國產品品質法) (the **"Product Quality Law"**), which was promulgated on 22 February 1993 and amended on 8 July 2000.

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

According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may claim compensation from the producers as well as the sellers. Where the responsibility for product defects lies with the producer, the seller may, after settling the compensation, recover such compensation from the producer, and vice versa.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

CONSUMER PROTECTION

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of PRC (中華人民共和國消費者權益保護法) (the **"Consumer Protection Law"**), which was promulgated on 31 October 1993 and took effect from 1 January 1994.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties.

Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

ANTI-MONOPOLY LAW

Pursuant to the Anti-Monopoly Law of PRC (中華人民共和國反壟斷法) (the"**Anti-Monopoly Law**"), which was promulgated on 30 August 2007 and became effective from 1 August 2008, "dominant market position" refer to a position where an operator may manipulate the price, volume and other trade conditions of commodity in relevant market, or may obstruct or otherwise effect the entrance of other operators into relevant markets. Operators who hold a dominant market position shall be prohibited from engaging in such practices which may be classified as an abuse of dominant position including the following: a) selling products at unfairly high or buying products at unfairly low prices; b) selling products at a price lower than cost without legitimate grounds; c) refusing to trade with the other trading party without legitimate grounds; d) forcing

the other trading party to trade only with said operator or other operators specified by the said operator without legitimate grounds; e) conducing tie-in sales or adding other unreasonable conditions to a deal without legitimate grounds; f) discriminating trading parties of the same qualifications with regards to trade price, etc. without legitimate grounds; or g) engaging in other practices recognised by the anti-monopoly law enforcement authorities as abuse of dominant market position. Where an operator violates the provisions of the Anti-Monopoly Law by abusing dominant market position, the anti-monopoly law enforcement authorities shall order cessation of the offending behaviour, confiscate the illegal earnings, and impose a fine of 1-10% of the previous year's sales revenue.

COMPETITION LAW

Competitions among the business operators are generally governed by the Law of PRC for Anti-Unfair Competition (中華人民共和國反不正當競爭法) (the **"Anti-Unfair Competition Law"**). According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Acts of operators which contravene the provisions of the Anti-Unfair Competition Law, with the result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order, shall constitute unfair competition. When the lawful rights and interests of an operator are damaged by the acts of unfair competition, it or he may institute proceedings in a people's court. Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition law and causes damage to another operator, it or he shall bear the responsibility for compensating damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement by virtue of the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his lawful rights and interests.

PRICE LAW

Pursuant to the Price Law of PRC (中華人民共和國價格法) (the **"Price Law"**), which was promulgated on 29 December 1997 and took effect from 1 May 1998, the operators shall, in determining prices, abide by the principle of fairness, be in conformity with law, honesty and credibility. Production and management costs and market supply and demand situation shall be the fundamental basis for the determination of prices by the operators.

The operators shall, in selling, procuring commodities and providing services, display clearly the marked price in accordance with the provisions of the competent departments of price of the government. The operators shall not sell commodities with additional price other than the marked price and shall not collect any fee not indicated. Furthermore, the operators shall not commit such unfair price acts such as manipulating market price to the detriment of the lawful rights and interests of other operators or consumers. Any operator who commits any of the unfair price acts prescribed in the Price Law shall be ordered to make a rectification, confistication of the illegal gains and may be concurrently imposed a fine of not less than five times of the illegal gains. Where the circumstances are serious, an order shall be issued for the suspension of business operations, or the business license revoked by the agency of industry and commerce administration. In addition, any operator who causes consumers or other operators to pay additional price in an illegal price acts should refund the portion overpaid. Where damage has been caused, liability for compensation shall be borne according to law. And any operator who

violates the provision relating to clearly marked prices shall be ordered to make a rectification, confiscation of the illegal gains and may be concurrently imposed a fine of less than RMB5,000.

INTELLECTUAL PROPERTY RIGHTS

Copyright

According to the Copyright Law of PRC (中華人民共和國著作權法) (the **"Copyright Law"**), which was amended in 2010 and took effect from 1 April 2010, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of PRC (中華人民共和國商標法) (the **"Trademark Law"**), which was revised on 27 October 2001 and took effect from 1 December 2001, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counting from the date the registration is approved. And it can be extended upon obtaining the extension approved by related authorities. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. Where a dispute arises after a party commits any of the acts infringing upon another party's exclusive right to use a registered trademark as enumerated in the Trademark Law, the parties involved shall settle the dispute through consultation. Where the parties refuse to pursue consultation or where consultation has failed, the trademark registrant or any interested party may institute legal proceedings with the People's Court or ask the administrative authorities for industry and commerce to handle the matter upon determining that trademark infringement has taken place.

Patent

Pursuant to the Patent Law of PRC (中華人民共和國專利法) (the **"Patent Law"**), which was revised on 27 December 2008 and took effect from 1 October 2009, the term "invention" used in it refers to any new technical solution relating to a product, a process or improvement thereof, and the term "utility model" used therein refers to any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use, while the term "design" used therein refers to any new design of the shape, pattern or their combination and the combination of colour and shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.

After the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or

use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design.

The duration of patent right for inventions shall be twenty years and the duration of patent right for utility models and designs shall be ten years, both commencing from the date of application. Furthermore, where a dispute arises as a result of the exploitation of a patent without the authorisation of the patentee, that is, the infringement of the patent right of the patentee, it shall be settled through consultation by the parties. Where the parties are not willing to consult with each other or where the consultation fails, the patent owner or any interested party may institute legal proceedings with the People's Court, or request the administrative authority for patent affairs to handle the matter.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated on 5 November 2004 and became effective from 20 December 2004, "domain name" refers to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. The holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write off the domain name and notify the holder of the domain name in writing.

ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of PRC (中華人民共和國環境保護法) (the **"Environmental Protection Law"**), which was promulgated and took effect from 26 December 1989:

- any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces;

- any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and

- any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefor and be responsible for the treatment of the pollution.

The purposes of the Environmental Protection Law are to protect and enhance the living environment, prevent and cure contamination and other public hazards, and safeguard human health. The Ministry of Environmental Protection of PRC (中華人民共和國環境保護部) implements the uniform supervision and administration of environmental protection work nationwide and formulates the national waste discharge standards. Local environmental protection bureaus at

county level and above are responsible for the environmental protection in their jurisdictions. Government authorities shall impose different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

According to the Regulations on The Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), which were promulgated on and took effect from 29 November 1998, PRC practices a system that evaluates the environmental impact of a construction project. A construction unit should, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. For a construction project that necessitates no feasibility study pursuant to relevant state provisions, the construction unit should, prior to the start of the construction of the construction project, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Besides, the construction unit should, upon the completion of the construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

Pursuant to the Law of PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was revised on 29 December 2004 and took effect from 1 April 2005, an entity discharging dangerous wastes shall, pursuant to state provisions, work out a plan for managing dangerous wastes, and declare the types, production quantity, flow direction, storage, treatment and other relevant materials to the environmental protection departments of the local people's governments at or above the county level. The plan for managing dangerous wastes shall be reported to the environmental protection department of the local people's government at or above the county level for archival filing. Furthermore, the entities discharging, collecting, storing, transporting, using or treating dangerous wastes shall work out measures for keeping away and prepare contingency plans against accidents, report them to the environmental protection administrative department of the local people's government at or above the county level for archival filing; and the environmental protection administrative department shall carry out the inspection on it. An entity that discharges dangerous wastes shall dispose of dangerous wastes according to relevant provisions of the State, and shall not dump or pile up such wastes without approval.

Whoever transfer dangerous wastes shall, according to relevant State regulations, fill in duplicate forms for transferring dangerous wastes and apply to the environmental protection administrative departments of the local people's governments at or above the level of city divided into districts where the dangerous waste is to be moved out, which can approve the transfer of the said dangerous wastes after consulting and obtaining permission from the environmental protection administrative departments of the local people's governments at or above the level of city divided into districts where the dangerous waste is to be moved in. No transfer may be conducted until such transfer is approved. Where it is necessary to transfer dangerous wastes by way of

administrative areas other than the areas where the dangerous waste is to be moved out or in, the environmental protection administrative departments of the local people's governments at or above the level of city divided into districts where the dangerous waste is to be moved out shall timely notify the environmental protection administrative departments of the local people's governments at or above the level of city divided into districts where the dangerous waste is to pass through.

LABOUR CONTRACTS

Pursuant to PRC Labour Contract Law (中華人民共和國勞動合同法), which was adopted by the Standing Committee of the National People's Congress on 29 June 2007 and took effect from 1 January 2008, to establish a labour relationship, a written labour contract should be concluded. In the event that no written labour contract is concluded at the time when a labour relationship is established, such a written contract should be concluded within one month from the date when the employer employs the employee. Where the employer fails to conclude a written labour contract with the employee for more than one month but less than a year from the date it starts employing him, it shall pay the employee two times his salary for each month. In addition, if the employer fails to conclude a written labour contract with the employee within one year as of the date when it employs the employee, it shall be deemed to have concluded an open-ended contract with the employee.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

According to the Provisional Regulations on Collection and Payment of Social Insurance Premium(社會保險費徵繳暫行條例), which was promulgated on and took effect from 22 January 1999, enterprises including foreign invested enterprises are required to pay basic pension insurance, basic medical insurance and unemployment insurance (collectively referred to as "social insurance") for their employees. The enterprises shall, within 30 days from the date of their establishment, apply for social insurance registration at the local social insurance agencies which may be the taxation departments or the social insurance agencies established by the administrative department of labour security according to the provisions of the State Council, based on the enterprises' business license, registration certificate or other such relevant certificates. After verification, the social insurance agencies shall issued them a social insurance registration certificate. Furthermore, these enterprises shall, on a monthly basis, report to the social insurance agency the amount of the social insurance premiums payable and, after assessment by the social insurance agency, pay their social insurance premiums fully and timely within the prescribed time period.

Pursuant to the Regulations on Work-Related Injury Insurances (工傷保險條例), which was promulgated on 27 April 2003 and took effect from 1 January 2004, all types of enterprises including foreign-invested enterprises and sole traders that hire workers (hereafter refer to "Employer(s)") shall purchase work-related injury insurance and pay work-related injury insurance premiums for all of the staff and workers or hired workers in their work unit (hereafter refer to "Employee(s)") in accordance with the provisions hereof. Employers shall pay work-related injury insurance premiums on time while Employees shall not pay work-related injury insurance premiums themselves. The amount of work-related injury insurance premium payable by an Employer shall be the product of the total payroll of the Employees of the work unit and the payable premium rate. As to the rate of the payable premium, the State shall determine premium rate differentials between industries according to the degree of risks of work-related injuries in different industries, and shall determine several tiers of premium rates within each industry according to circumstances such as the use of work-related injury insurance premiums and the

frequency of occurrence of work-related injuries. The Agency for a region under comprehensive arrangement (統籌地區) shall determine the work unit payable premium rate for an Employer on the basis of such circumstances such as use of work-related injury insurance premiums and frequency of occurrence of work-related injuries of the Employer, and the corresponding premium rate tier applicable to the industry to which the Employer belongs.

According to the Social Insurance Law of PRC (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and will take effect from 1 July 2011, employees shall participate in basic pension insurance and basic medical insurance schemes. Basic pension and medical insurance contributions shall be paid by both employers and employees. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees.

Pursuant to the Social Insurance Law of PRC, if an employer fails to pay work-related injury insurance contributions in accordance with law, it shall pay work-related injury insurance benefits in the case of a work-related injury accident. If the employer fails to make such payment, the benefits shall first be reimbursed by the work-related injury insurance fund. Work-related injury insurance benefits reimbursed by the work-related injury insurance fund shall be repaid by the employer. If the employer fails to make repayment, social insurance agencies may recover such benefits from the employer in accordance with The Social Insurance Law of PRC.

Furthermore, as to the unemployment insurance, employers shall provide unemployed individuals with certification of the expiry or termination of their employment relations in a timely manner, and within 15 days of such expiry or termination, inform social insurance agencies of the list of the unemployed individuals. Unemployed individuals shall undertake the procedures for unemployment registration with the designated public employment service institutions in a timely manner by producing their former employers' certification of the expiry or termination of employment relations. The period for receiving unemployment insurance benefits shall be calculated from the date of unemployment registration.

An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Except for mandatory exceptions such as force majeure, social insurance may not be paid late, reduced or be exempted. If an employer fails to report the social insurance premium payable in accordance with the relevant regulations, the social insurance agency shall provisionally set the amount payable at 110% of the premium paid in the previous month. Once the employer has retroactively undertaken the reporting procedures, the social insurance agency shall settle the amount in accordance with the relevant regulations. Where an employer fails to make social insurance contributions in full and on time, the social insurance agency may order rectification within a specified time limit. If the employer fails to rectify within the specified time limit, the social insurance agency may enquire with the relevant bank(s) and other financial institution(s) in which the employer has an account; and may apply with the relevant administrative department above the county level for an administrative order to allocate and transfer the unpaid social insurance contributions and notify the relevant bank or other financial institution in writing to allocate and transfer the unpaid social insurance contributions. Where the balance in the employer's bank account is less than the overdue social insurance contributions, the social insurance agency may request the employer to provide a guarantee and sign a social insurance payment agreement for the delayed payment. If the employer does not make the social insurance contributions within the specified time limit and fail to provide a guarantee with respect to the same, the social insurance agency may request the people's court to seize the

property of the employer (equivalent in value to the unpaid overdue social insurance contributions), and collect the overdue social insurance contributions from the proceeds obtained from the auction of such property.

The Provisional Measures on Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法), which were promulgated on 14 December 1994 and took effect from 1 January 1995, applies to enterprises in cities and towns and their employees. According to the Measures, while employees shall not pay maternity insurance premium themselves, the enterprises shall pay a certain percentage of their payroll to social insurance agencies for the establishment of the maternity insurance fund. The local people's government shall decide the percentage of the payroll in light of the number of births within the plan, the maternity allowance to pay and other costs such as the medical fees related thereto. The percentage of the payroll may be adjusted timely by the government according to the expenditure actually occur, the maximum of which shall not exceed one percent of the payroll. The enterprises shall pay the maternity insurance premiums on schedule. Where the enterprises fail to pay the premiums within the prescribed time limit, 0.2% of the overdue amount shall be demanded and collected daily as the overdue penalty. Such overdue penalty shall be included into the maternity insurance fund. In addition, where the enterprises delay or reject the payment of the maternity allowance, or the medical fees related to, the labour administrative department shall order the payment by the enterprises within a stipulated period. Where harm is caused to the employees due to the non-payment, the enterprises should bear the liability for compensation.

The Regulations on Management of Housing Provident Fund (住房公積金管理條例), revised on and took effect from 24 March 2004, are applicable to enterprises with foreign investment. Enterprises are required to pay housing provident fund for their employees. Enterprises shall register with the relevant housing provident fund management center within 30 days from the date of establishment, and open housing provident fund accounts with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management center. When employing new employees, enterprises shall register with the housing provident fund management center within 30 days from the date of the employment of such employees, and open housing provident fund accounts for such employees at the designated bank with the verified documents of the housing provident fund management center. Furthermore, the housing provident fund to be paid and deposited by an employee shall be withheld from his/her salary by the enterprise, and the enterprise itself shall pay and deposit housing provident fund on schedule and in full, and may not cause any delay in the payment and deposit or underpay the housing provident fund. The payment and deposit rate for housing provident fund (either for the employee or for the enterprise) shall not be less than 5% of the average monthly salary of the employee concerned in the previous year.

PRODUCTION SAFETY

Pursuant to the Production Safety Law of PRC (中華人民共和國安全生產法), which was promulgated on 29 June 2002 and took effect from 1 November 2002, in respect of special equipment that affects the safety of life or is dangerous, the containers of hazardous substances, or transportation tools that any production and business operation entity uses must, according to the relevant provisions of the State, be manufactured by specialised production entities, and may only be put into use after it has passed the detections and tests of those detecting and testing institutions that have been equipped with the professional qualifications for which a certificate for safe use or a mark of safety has been obtained. In addition, the production, business operation, transportation, storage, and use of any dangerous substances or the disposal of or abandonment of

dangerous substances shall be subject to the examination and approval as well as the supervision and administration of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

Pursuant to the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例), promulgated on 11 March 2003 and took effect from 1 June 2003 (amended on 14 January 2009 and with effect from 1 May 2009), "special equipment" used in the regulations refers to boilers, pressure vehicles (including gas cylinders, same below), pressure pipelines, elevators, lifting alliances, passenger ropeways, and large amusement devices, which relate to safety of human lives or having high risks. As required by the Regulations, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position of the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators, lifting appliances, passenger ropeways and large amusement devices (referred to as the "operators of special equipment") shall not engage in corresponding operation or management until they have passed the examination organised by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment with a nationally unified formula.

Pursuant to the Regulations on Safety Administration of Dangerous Chemicals (危險化學品安全管理條例), which was promulgated on 26 January 2002 and took effect from 15 March 2002, "dangerous chemicals" used in the regulations refer to explosive, pressure gas, liquefied gas, inflammable liquid, inflammable solid, spontaneous combustible articles, combustible materials. The State carries out the system of registration of dangerous chemicals. Enterprises engaging in manufacturing or storage dangerous chemicals and units using hyper-toxic chemicals and other dangerous chemicals that constitute serious hazard sources in quantity shall register dangerous chemicals with competent department. Furthermore, a unit that manufactures, stores, or makes use of hyper-toxic chemicals shall conduct safety evaluation of its own manufacturing or storage installations once a year. A unit that manufactures, stores, or makes use of other dangerous chemicals shall conduct the safety evaluation of its own manufacturing or storage installations once every two years. The safety evaluation report shall be submitted to the administrative department in charge of the overall work for the supervision and administration of safety of dangerous chemicals of the people's government at the municipality level (with districts) for record.

Pursuant to the Measures for the Prevention and Control of Environment Pollution by Discarded Dangerous Chemicals (廢棄危險化學品污染環境防治辦法), which was promulgated on 30 August 2005 and took effect from 1 October 2005, the importers, sellers and users of dangerous chemicals shall be responsible for entrusting any entity that has the corresponding class of business and business scale and holds the permit for operation of dangerous wastes to recycle, utilise and dispose of discarded dangerous chemicals. Any entity that brings about discarded dangerous chemicals shall report information such as the kinds of discarded dangerous chemicals, their names, components or composition, character, volume of production, flow direction, storage, utilisation, disposal, and safety data sheet for chemicals to the local environmental protection department at or above the county level at its locality. In case there is any material change in the aforesaid matters, the enterprise shall file an alteration report in a timely manner.