

The laws and regulations in respect of foreign trade and processing trade

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法) was adopted by the Standing Committee of the National People's Congress on 12 May 1994, and was amended at Standing Committee of the National People's Congress on 6 April 2004, which provides that any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby. Where any foreign trade business operator fails to file for archival registration according to relevant provisions, the customs authority may not handle the procedures of customs declarations and release of the import or export goods.

The Regulation of the PRC on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) passed by the State Council and became effective on 1 January 2002, together with the Foreign Trade Law of the PRC, standardises the administration of the import and export of goods. The PRC government adopts an automatic import and export licensing system for some freely imported and exported goods and technologies, and has a catalogue of such goods and technologies. From time to time, the PRC government promulgates catalogues of restricted and prohibited goods and technologies. For goods and technologies subject to import or export restrictions, the PRC government maintains separate quota managing and licensing systems. Restricted goods or technologies may only be imported or exported with the approval of the relevant foreign trade department. Prohibited goods or technologies may not be imported or exported at all.

According to the *Circular of the Ministry of Foreign Trade and Economic Cooperation on Printing and Distributing the Interim Measures for the Management of Examination and Approval of Processing Trade (Wai Jing Mao Guan Fa 1999 No. 314)* (《對外貿易經濟合作部關於印發〈加工貿易審批管理暫行辦法〉的通知》([1999]外經貿管發第314號)) issued on 27 May 1999 and effective as of 1 June 1999, any import and export enterprises, foreign invested enterprises and service companies which have obtained the operation license for processing engaging in processing trade must be examined and receive the approval of the foreign economic and trade authorities. Such processing enterprise shall submit the processing agreement with a foreign company and other application documents to the foreign economic and trade authorities, which will carry out examination and verification and issue the Processing Trade Business Approval Certificate (加工貿易業務批准證) to the qualified enterprises.

A processing enterprise must process and export in accordance with the particulars of its Processing Trade Business Approval Certificate, and sell back the finished products and carry out the verification procedures in accordance with the time limit specified in the Processing Trade Business Approval Certificate. If there is a true need to amend some of the particulars of the project or extend the sell-back period for the finished products due to objective factors, the processing enterprise must report to the original examination and approval authority for its approval, and Customs shall carry out relevant procedures on the strength of the approval document.

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Winox WFOE have been conducting processing trade businesses and thus is required to obtain the Processing Trade Business Approval Certificate. Winox WFOE has obtained the Processing Trade Business Approval Certificate issued by the Dongguan Foreign Trade and Economic Cooperation Bureau (東莞對外貿易經濟合作局) and is competent to conduct processing trade businesses.

Customs Law of the PRC

The Customs Law of the PRC (中華人民共和國海關法) was adopted by the Standing Committee of National People's Congress on 22 January 1987, and was revised by the Standing Committee of National People's Congress on 8 July 2000. The Customs Law of the PRC provides that all import goods and export goods shall be subject to customs control, and shall be declared and duties on them paid by their sender or receiver or by representatives entrusted by the sender or receiver and approved by and registered with the customs authority. The receiver of import goods and the sender of export goods shall make an accurate declaration and submit the import or export license and relevant papers to the customs authority for examination. Enterprises engaged in the processing trade shall file an approval document and a processing contract at the customs authority. The finished products of a processing trade shall be re-exported within the stipulated time limit.

Classified Management of Enterprises of the PRC

According to the *Measures of the Customs of the PRC for the Classified Management of Enterprises* (中華人民共和國海關企業分類管理辦法) issued on 14 October 2010 by the General Administration of Customs and effective as of 1 January 2011, consignees and consigners of import and export goods registered with the customs are under classified management. The customs will, in light of the enterprises' performances in observing laws, administrative regulations, customs rules, relevant provisions on clean government, their respective business management situations as well as the Customs supervision and statistical records, etc., establish five management categories of AA, A, B, C and D to evaluate and classify relevant enterprises. The customs formulates corresponding differential management measures for enterprises in different management categories, of which the enterprises in categories of AA and A shall be subject to corresponding convenient customs clearance measures.

Enterprises in the category of A shall simultaneously meet the following requirements: (i) having been subject to the management category of B for more than one year; (ii) having never committed the crime of smuggling, the act of smuggling or violation of the provisions on customs supervision and control for one consecutive year; (iii) having never been subject to any customs administrative punishment due to importing or exporting goods infringing intellectual property rights for one consecutive year; (iv) having no defaulted taxes or fines for one consecutive year; (v) having the gross import and export value more than US\$500,000 in the previous year; (vi) having the error rate of import or export declaration below 5% during the previous year; (vii) having sound accounting rules, as well as truthful and complete business records; (viii) having taken initiatives in cooperation with customs administration, timely handling various customs formalities, and provided truthful, complete and valid documents and certificates to the customs; (ix) submitting a Valuation Report on Enterprise Business Management Status every year; (x) handling the formality for reissuing and altering the Register Document for Customs Declaration of Consignees or Consigners of Import or

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Export Goods of the Customs of the PRC according to provisions; and (xi) having no bad records in the administrative departments and institutions of commerce, people's bank, industry and commerce, taxation, quality inspection, foreign exchange and supervision, etc. for one consecutive year.

Winox WFOE is currently under the management category A, and shall be entitled to convenient customs clearance measures, such as customs declaration priority, examination priority, clearance subscription priority; as a processing trade enterprise, Winox WFOE also enjoys preferential treatment of shadow deposit for security bank deposits and the priority for processing trade filing, alteration and declaration. However, Winox WFOE is currently under examination by the Customs Authority of Dongguan and could lose the said administrative preferential treatment, please see the section headed "Business – Non-compliance and legal proceedings" of this prospectus for details.

Measures of the Customs of the PRC for the Control over Goods for Processing Trade

According to the *Measures of the Customs of the PRC for the Control over Goods for Processing Trade* (中華人民共和國海關對加工貿易貨物監管辦法) promulgated on 26 February 2004, amended on 14 January 2008 for the first time, amended on 11 November 2010 for the second time by the General Administration of Customs, any operating enterprise for processing trade shall go through the formalities for filing for record of the processing trade goods with the customs and submit the documents as to the approval document for the operation of processing trade, the Certificate of the Production Capacity of Processing Enterprise of Processing Trade, contract concluded by the operating enterprise with the foreign party, etc. Where there is any alteration in the record of the processing trade goods, the operating enterprise shall go through the formalities for alteration within the valid term of the manual of processing trade. Where it is needed to report to the original examining and approving organ for approval, such report shall be made.

The operating enterprise shall process and re-export the imported materials within the prescribed time limit, and shall report to the customs for verification and writing off within 30 days from the day of export of the last batch of finished products under the manual of processing trade or the day of expiration of the manual of processing trade. Where the contract concluded by an operating enterprise with the foreign party is terminated before expiration, the enterprise shall report to the customs for verification and writing-off within 30 days from the day of termination of the contract.

Environmental Protection Law

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which came into force on 26 December 1989, lays down the basic legal framework for environmental protection in PRC.

Facilities for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. Facilities for the prevention and control of pollution shall not be dismantled or left idle without approval. Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council. Should such enterprises discharge pollutants in excess of the prescribed national or local

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discharge standards, they shall eliminate and control the pollution and shall be subject to a fee for excessive discharge. The importation of any technology or facility that fails to meet the requirements specified in the regulations of our country concerning environmental protection shall not be imported.

The Water Pollution Prevention Law

The Water Pollution Prevention Law of the PRC (中華人民共和國水污染防治法) which was promulgated on 11 May 1984 by the Standing Committee of the National People's Congress and amended on 15 May 1996, and which was further amended on 28 February 2008, established the standards for the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs, other surface water, and underground water. New construction projects, projects under expansion or reconstruction, and other projects which may directly or indirectly discharge pollutants into water bodies shall be subject to such law.

The PRC adopts a pollutant discharge permit system with respect to the discharge of waste water. Entities directly or indirectly discharge industrial or medical waste water shall obtain a pollutant discharge permit. Enterprises that directly discharge water pollutants shall pay a discharge fee in accordance with the types and quantity of waste water discharged and relevant levy criteria, and the waste water discharged shall not exceed the prescribed national or local discharge standards.

In the production process of Winox WFOE, the main water pollutants discharged are acid etching and lapping waste water. As advised by our Company's PRC legal advisers, there are certain standards on the maximum daily discharge limit of water pollutants in Guangdong for acid etching and lapping waste water. According to the reply opinions of the environmental assessment report form by the Dongguan Bureau for Environmental Protection (東莞市環境保護局) and the Discharge of Pollutants Permit (排放污染物許可證) of Winox WFOE, there is also a discharge limit for the permitted discharge of acid etching and lapping waste water by Winox WFOE.

As advised by our Company's legal advisers, in case water pollutants in excess of the discharge limits are discharged by an entity, such entity may be ordered by the local environmental protection administrative authority to take rectification actions thereof within a time limit, and may also be imposed upon a fine of two to five times the amount of discharge fee payable by the local environmental protection administrative authority. During the aforesaid rectification period, the local environmental protection administrative authority may take restrictive actions against the violator to limit the production and the amount of pollutants discharge of the violator, or order the violator to cease production.

The Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste

The Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) was adopted and amended by the Meeting of the Standing Committee of the National People's Congress on 30 October 1995 and 29 December 2004 respectively, provides that manufactures, sellers, importers and users of products shall be responsible for preventing and controlling pollution by solid waste generated by the products. For construction of a project where solid waste is generated, the impact on the environment shall be assessed.

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The State institutes a system of report and registration for industrial solid waste. Enterprises generating industrial solid waste shall provide information about the types, quantity, flow direction, storage and treatment of industrial solid waste to the local environmental protection administrative authority.

Enterprises generating hazardous waste shall formulate plans for control of hazardous waste and provide information about the types, quantities, flow direction, storage and treatment of hazardous waste to the local environmental protection administrative authority, and shall not dump or pile up such waste without authorization. Enterprises shall supply or entrust hazardous waste to a unit that has a business license for collection, storage, utilization and treatment of hazardous waste. Enterprises that intend to transfer hazardous waste to another place shall fill in duplicate forms for transfer of hazardous waste and submit an application to the local environmental protection administrative authority where the hazardous waste is to be moved out.

Dangerous wastes are generated in the production process of Winox WFOE. According to the reply opinions of the environmental assessment report form by the Dongguan Bureau for Environmental Protection (東莞市環境保護局) in respect of Winox WFOE, Winox WFOE shall entrust an entity with Dangerous Waste Operating License (危險廢物經營許可證) to dispose of its dangerous waste, and complete the dangerous waste transfer report procedure. A fine of RMB20,000 to RMB200,000 will be imposed on Winox WFOE in case of violation of the above requirements.

Atmospheric Pollution Prevention Law

According to the *Atmospheric Pollution Prevention Law of the PRC* (中華人民共和國大氣污染防治法) revised and adopted by the Standing Committee of National People's Congress of the PRC on 29 April 2000 which was implemented on 1 September 2000, projects under establishment, expansion and reconstruction that discharge atmospheric pollutants have to comply with the state environmental protection administrative requirements relating to construction projects. Enterprises that discharge polluted gas should report to the local environmental protection administrative authority for their equipments that discharge pollutants, the facilities that dispose pollutants, and the type, amount and concentration of the pollutants under their ordinary operation. Enterprises are also required to provide the related technology information about the prevention and control of atmospheric pollution. The concentration of the pollutants must not exceed the state and local standard of discharge.

In the production process of Winox WFOE, the main atmospheric pollutant discharged is dust. There is in place regulation on the discharge limit of atmospheric pollutants, such as dust, in Guangdong Province of the PRC. In the event that the discharge of atmospheric pollutants is in excess of the discharge limits, the violator may be ordered to take rectification actions thereof within a time limit, and may be fined RMB10,000 to RMB100,000 by the local environmental protection administrative authority.

Environmental Protection Regulations for Construction Projects

Pursuant to the *Administrative Rules on the Environmental Protection of Construction Projects* (建設項目環境保護管理條例) promulgated by the State Council of the PRC and became effective on 29 November 1998, and the *Law of the PRC on Appraising Environmental Impacts* (中華人民共和國環境影響評價法) promulgated by the Standing Committee of National People's Congress of the PRC and became effective on 1 September 2003, the environmental impact assessments must be carried out by qualified institutions for the construction projects.

The construction entity shall work out the report of environmental impacts, the report form of environmental impacts or the registration form of environmental impacts according to the following principles: (i) if the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round appraisal of the environmental impacts; (ii) if the environment impacts may be gentle, it shall work out a report form of environmental impacts so as to include an analysis or special appraisal of the environmental impacts; (iii) if environmental impacts may be very small so that it is not necessary to conduct an appraisal of the environmental impacts, it shall fill in a registration form of the environmental impacts. The environmental impact appraisal documents of a construction project shall be submitted by the construction entity to the competent environment administrative authority in charge of environmental protection for examination and approval. In case the environmental impact appraisal document of a construction project fails to pass the examination of the environment administrative authority or fails to be approved after examination, the construction entity may not start construction.

Pursuant to the *Administrative Rules on the Environmental Protection of Construction Projects* and the *Administrative Measures on Environmental Protection Inspection Acceptance for Completion of Construction Projects* (建設項目竣工環境保護驗收管理辦法) promulgated by the Ministry of Environmental Protection of the PRC and became effective on 1 February 2002, the matched environmental protection facilities construction required for the construction project shall be designed, constructed and put into operation, production or trial production simultaneously with the main part of the construction project. Trial production shall not be allowed unless construction entity has applied to the environmental protection administration authority and got the approval.

Inspection acceptance for completion of construction of environmental protection facilities should be conducted simultaneously with that for completion of construction of the main part of construction project. Where there is trial production of the construction project, the construction entity shall, within 3 months starting from the date of the construction project going into trial production, apply for environmental protection inspection acceptance for completion of construction project to the competent environmental protection administration authority.

Regulations on Foreign exchange

Foreign currency exchange regulation of the PRC is primarily governed by the following regulations: the Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例), most recently amended on 1 August 2008 by the State Council, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China on 20 June 1996.

Under the Foreign Exchange Administration Regulations, RMB is convertible without approval from the State Administration of Foreign Exchange of the PRC ("SAFE")(國家外匯管理局) or its local counterpart only with regards to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE or its local counterpart.

Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE.

In addition, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知) on 29 August 2008, regulating the conversion of foreign currency into RMB by a foreign-invested company by restricting how the converted RMB may be used. The above circular requires that the registered capital of a foreign-invested enterprise settled in RMB that is converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of foreign-invested enterprises settled in RMB converted from foreign currencies. The use of such RMB capital may not be changed without SAFE's approval, and may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of the above circular could result in severe monetary or other penalties.

PRC Law for the Safety of Production

According to *the Law of the PRC on the Safety of Production* (中華人民共和國安全生產法) which was promulgated on 29 June 2002 by the Standing Committee of the National People's Congress and became effective on 1 November 2002, enterprises carrying out production activities shall have safe production conditions as required by relevant laws and regulations. Enterprises having more than 300 employees shall form a management department to carry out the functions of production safety or appoint personnel solely

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responsible for production safety. Enterprises shall display warning signs at the location and on equipment with high potential risks. Enterprises shall purchase job-related injury insurance according to relevant laws and regulations.

Labour and social insurance

The PRC has many labour and social insurance laws and regulations, including the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法), the Regulations on Work-related Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Insurance for Maternity of Employees (企業職工生育保險試行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Regulations on Management of Housing Provident Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time in the PRC.

Under the Labour Law of the PRC and the Labour Contract Law of the PRC, labour contracts in written form must be executed to establish labour relationships between employers and employees. Wages cannot be lower than the local minimum wage. Employers must establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant education to their employees. Employers are also required to provide for their employees a safe and sanitary work environment that meets state requirements, and to carry out regular health examinations of employees engaged in hazardous occupations.

Under the Regulations on Work-Related Injury Insurance, the Regulations on Unemployment Insurance, the Provisional Measures on Insurance for Maternity of Employees, the Interim Regulation on the Collection and Payment of Social Insurance Premiums, and the Interim Provisions on Registration of Social Insurance, enterprises are required to provide the employees in the PRC with social insurance covering basic pension insurance, unemployment insurance, maternity insurance, injury insurance and basic medical insurance. On 28 October 2010, the Social Insurance Law of the PRC (中華人民共和國社會保險法) was adopted by the 17th meeting of the Standing Committee of the 11th National People's Congress of the PRC on 28 October 2010, and shall come into force on 1 July 2011, provides that enterprises shall pay basic pension insurance, basic medical insurance, injury insurance, unemployment insurance and maternity insurance for employees. According to the Regulations on Management of Housing Provident Fund, enterprises shall register and open housing provident fund accounts for employees at housing provident fund authorities, and pay housing provident fund.

Permits, certificates and licences

As advised by our PRC legal advisers, save as disclosed in the section headed "Business – Non-Compliance and Legal Proceedings" of this prospectus, Winox WFOE, Huizhou WFOE and Yingxinfeng WFOE have complied with all the relevant PRC laws and regulations, and have obtained all necessary permits, certificates and licenses for their current business and operations.