
REGULATION

The food and beverage industry is governed by various PRC laws and regulations, including but not limited to the PRC Company Law (“中華人民共和國公司法”), the Food Safety Law of the PRC (“中華人民共和國食品安全法”) (the “Food Safety Law”), the Regulations of the PRC on the Administration of Production Licence for Industrial Products (“中華人民共和國工業產品生產許可證管理條例”) (the “Production Licence Regulations”), the Standardization Law of the PRC (“中華人民共和國標準化法”) (the “Standardization Law”), the Environmental Protection Law of the PRC (“中華人民共和國環境保護法”) (the “Environmental Protection Law”), the Law on the Prevention and Treatment of Water Contamination of the PRC (“中華人民共和國水污染防治法”), the Fire Protection Law of the PRC (“中華人民共和國消防法”) (the “Fire Protection Law”) as well as other PRC laws and regulations. A summary of the key provisions of these laws and regulations is set out below. As a result of certain Taiwanese Shareholders’ interests in our Group, such Taiwanese Shareholders are required to comply with the Taiwan laws and regulations on investments in the PRC. A summary of the key provisions of these laws and regulations is set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The currently effective Guidance Catalogue of Foreign Investment Industries (“外商投資產業指導目錄”) (the “Catalogue”) was promulgated by MOFCOM and NDRC on October 31, 2007 and became effective on December 1, 2007. The Catalogue classifies certain industries into three categories, namely encouraged, restricted and prohibited categories. Industries in the restricted category may be limited to foreign investment in forms of equity or contractual joint ventures with a Chinese entity, who shall remain as the controlling shareholder. Foreign investors shall not invest in industries in the prohibited category. Unless otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not listed in any of the encouraged, restricted or prohibited categories. As advised by our PRC legal advisor, King & Wood, the industries in which we operate (i.e. producing and selling bakery products) are permitted for foreign investment. Please also see the section headed “Risk Factors – Risks Relating to Conducting Business in the PRC – Changes in PRC laws, legal protections or government policies on foreign investment in the PRC may harm our business” in this prospectus.

PRC COMPANY LAW

The PRC Company Law was promulgated on December 29, 1993 and revised by the National People’s Congress Standing Committee on October 27, 2005, which sought to reform various aspects of the 1993 PRC Company Law and to simplify the establishment and operation of companies incorporated in the PRC, by lowering capitalization requirements, increasing shareholder and creditor protection, improving corporate governance, relaxing rules relating to the establishment of subsidiaries and generally improving the transparency of Chinese companies as follows:

- (1) Lower Minimum Capital Requirements: the minimum registered capital requirement for the establishment of a limited liability company has been reduced to RMB30,000 while the minimum registered capital for a company limited by shares has been reduced to RMB5.0 million.
- (2) Non-cash Asset Contribution for Registered Capital: the new PRC Company Law broadens the range of methods by which investors may contribute to the registered capital of companies by permitting the contribution of “non-cash assets which can be monetarily valued and legally transferred” to up to 70.0% of the new company’s total registered capital.

REGULATION

- (3) Introduction of a single-shareholder Company: under the new PRC Company Law, a domestic limited liability company can be established by a single shareholder.
- (4) Inter-company Investments: the new PRC Company Law removed the restriction under the 1993 PRC Company Law which had prohibited the aggregate amount of a company's investments in other companies from exceeding 50.0% of the company's net asset value. Under the new PRC Company Law, the limit on such investment(s) is at the discretion of the shareholders.

Apart from the PRC Company law, foreign invested enterprises are also subject to other rules and regulations in the PRC. Article 218 of the new PRC Company Law states that where other PRC laws and regulations governing foreign investment differ from the provisions of the new PRC Company Law, the former shall prevail.

Foreign investors usually establish a presence in the PRC in one of the following legal forms:

- (1) Equity Joint Venture;
- (2) Co-operative Joint Venture;
- (3) Wholly Foreign-owned Enterprises;
- (4) Foreign-invested Joint Stock Limited Company; or
- (5) Representative Office.

A joint venture or wholly foreign-owned enterprise would take the form of a limited liability company that does not issue shares but has "registered capital" and "total investment" (paid-up capital plus permitted borrowing) figures which must first be approved by the PRC Government.

FOOD SAFETY LAW

The Food Safety Law, which came into effect on June 1, 2009, is the principal law regulating food production, processing and safety supervision in the PRC. Anyone engaging in food production and operation in the PRC must comply with the Food Safety Law, which prescribes the safety requirements for food, food additives, food containers, food packaging materials, food utensils and equipment, the contents of food packaging labels as well as the administration and supervision of food safety.

The Ministry of Health is in charge of the regulation and supervision of food safety in the PRC. The Food Safety Law provides that any enterprise proposing to engage in food production operation must first obtain the food production permit, food circulation permit or food service permit respectively from the competent local administrative department before it may apply for a business license from the competent local administrative department of industry and commerce. Without such permit, no one is allowed to engage in the activities of food production or operation.

REGULATION

The safety requirements prescribed by the Food Safety Law during food production include, but are not limited to, the following:

- (1) the environment inside and outside the food production facilities shall be clean and tidy and prescribed distances shall be kept from any toxic or dangerous sites;
- (2) the layout of installations and the application of craftsmanship processes shall be designed to prevent cross-contamination among finished products, work-in-progress and raw materials;
- (3) having professional food safety technicians and managerial personnel, and rules and regulations for ensuring the food safety;
- (4) facilities and installations for the packaging, transportation and storage of food shall be safe and kept clean; and
- (5) operators of food production shall maintain a consistently high standard of personal hygiene, wash their hands thoroughly and wear clean work clothes and headgear when preparing or selling food and use innocuous and clean vending devices when selling unpacked ready-to-eat food.

The Food Safety Law provides that food packaging labels and product description must be clearly printed and easily identifiable and, subject to the requirements of different products, and must contain requisite information relating to the food itself and the producer.

Some other requirements stipulated by the Food Safety Law for the food production and operation enterprises include, but not limited to the followings:

- (1) check and verify the supplier's license and product compliance certification document. It shall not purchase or use any food raw material, food additive or food-related product that does not conform to the food safety standards when purchasing food raw materials, food additives and food-related products;
- (2) establish a food ex-factory check record system so as to check the inspection certificates and the safety conditions of ex-factory food and faithfully record the name, specifications, quantity, production date, production batch number and inspection compliance certificate number of food, name and contact information of purchasers, date of sale, etc; and
- (3) store food under the requirements for ensuring food safety, periodically check the food inventory and timely clear up the food which has gone bad or whose shelf life has expired.

Enterprises which fail to comply with the provisions of the Food Safety Law may, depending on the circumstances of the case, be subject to warnings, rectification orders, confiscation of illegal proceeds, fines, orders to cease production and operation, orders to publicly recall and destroy sold food, revocation of respective permits, or even criminal liability to itself and its officers.

REGULATION

PRODUCTION LICENCE REGULATIONS

The Production Licence Regulations came into effect on September 1, 2005. The Production Licence Regulations establish a production license system for the production of certain industrial products, stipulate the procedures for obtaining a production licence (including the submission, processing and review of a production licence application), and set out the legal liability for breach of the Production Licence Regulations.

According to the Production Licence Regulations, the PRC Government implements a production license system in respect of enterprises manufacturing important industrial products such as beverages, rice, flour, meat products and other processed food. The State Council will announce the categories of industrial products to which the production licence system shall apply. Enterprises are not permitted to manufacture such products before they obtain a production licence. Any enterprise or individual shall not sell or use such products without obtaining the necessary product licenses.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

The Product Quality Law of the PRC (“中華人民共和國產品品質法”), which was promulgated on February 22, 1993 and amended on July 8, 2000 and August 27, 2009, stipulates that a product shall meet the following quality requirements:

- (1) being free from unreasonable dangers threatening the safety of human life and property, and conforming to the national standards or trade standards safeguarding the health or safety of human life and property where there are such standards;
- (2) possessing the properties and functions that they ought to possess, except for those with directions stating their functional defects; and
- (3) conforming to the product standards marked on the products or the packages thereof, and to the state of quality indicated by way of product directions and samples.

Under the Product Quality Law of the PRC, producers are responsible for compensating for damages to individuals or properties due to the defects of products they produce.

LAW AND REGULATIONS RELATING TO PROTECTION OF CONSUMER RIGHTS

On October 31, 1993, the Law on Protection of Consumer Rights and Interests of the PRC (“中華人民共和國消費者權益保護法”) was promulgated to enhance the protection of the legitimate rights and interests of end-users and consumers and to strengthen the supervision and control of the quality of products. Under the Law on Protection of Consumer Rights and Interests of the PRC, business operators shall observe, among others, the followings when dealing with consumers:

- (1) performing obligations in accordance with the Product Quality Law of the PRC and other relevant laws and regulations when provide commodities or service to consumers;
- (2) providing consumers with true information concerning commodities and not conducting false advertising;

REGULATION

- (3) ensuring that commodities and services meet the requirements for the protection of consumers' safety and their properties. Where a commodity or a service may jeopardize safety or property of the consumer, it shall make a clear warning and a true statement in respect of correct methods for the use of such a commodity or receipt of such a service and preventative measures; and
- (4) prohibited from setting unreasonable or unfair terms for consumers, or alleviating or releasing themselves from civil liability for infringement of the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices, etc.

Where damages occur, business operators shall make compensations. Where the case is severe enough to constitute a crime, criminal liability shall apply. All the products produced and sold in the PRC shall abide by these laws and regulations. For details with respect of our product quality and quality control measures, please see the section headed "Our Business – Quality Control" in this prospectus.

LAWS AND REGULATIONS RELATING TO COUPON SALES, PRE-PAID CARDS, CASH CONSUMER CARDS, AND ONLINE SALES

The rules and regulations governing coupon sales, pre-paid cards, cash consumer cards, and online sales are as follows:

- (1) The Law of the People's Bank of China of PRC ("中華人民共和國中國人民銀行法") which came into effect on March 18, 1995 and was amended on December 27, 2003, with the amendment being effective on February 1, 2004;
- (2) The Regulation of PRC on Administration of Renminbi ("中華人民共和國人民幣管理條例") which came into effect on May 1, 2000;
- (3) The Notice on Prohibiting the Distribution of Various Types of Tokens issued the General Office of the State Council ("國務院辦公廳關於禁止發放各類代幣購物券的通知") which came into effect on May 1, 1991;
- (4) The Notice on Prohibiting the Printing, Offering, Purchasing and Using of Various Types of Tokens issued by the State Council ("國務院關於禁止印製、發售、購買和使用各種代幣購物券的通知") which came into effect on April 4, 1993;
- (5) The Emergency Notice on Resolutely Stopping the Tendency of Issuance and Use of Various Kinds of Token Cards of the Office of Correcting Industrial Improper Practice ("國務院糾正行業不正之風辦公室關於堅決刹住發放各類代幣購物券之風的緊急通知") issued on December 11, 1998;
- (6) The Emergency Notice on Prohibiting of Issuing and Using Tokens (or Token Cards) ("關於嚴禁發放使用各類代幣券(卡)的緊急通知") jointly promulgated by the State Economic and Trade Commission ("國家經濟貿易委員會"), the Office of Correcting Industrial Improper Practice ("國務院糾正行業不正之風辦公室") and the People's Bank of China ("PBOC") on January 19, 2001;

REGULATION

- (7) The Administrative Measures for Payment Services provided by Non-financial Institutions (“非金融機構支付服務管理辦法”) promulgated by PBOC on June 14, 2010, which became effective on September 1, 2010, provides that non-financial institutions may issue token cards or pre-paid cards as an intermediary if they apply for and obtain the necessary licenses before September 1, 2011;
- (8) The Notice on Standardizing the Administration for Commercial Pre-paid Cards (“關於規範商業預付卡管理的意見”) jointly promulgated by PBOC, Ministry of Supervision of the PRC (中華人民共和國監察部), MOFCOM, SAT, SAIC, National Bureau of Corruption Prevention of the People’s Republic of China (國家預防腐敗局) on May 23, 2011;
- (9) The Notice on the Implementation of Standardizing the Administration for Commercial Pre-paid Cards (“商務部辦公廳關於貫徹落實規範商業預付卡管理意見的通知”) and The Notice on Launching a Specific Inspection on Specific-Purpose Pre-paid Cards (“商務部辦公廳關於開展單用途預付卡專項檢查工作的通知”) promulgated by the General Office of Ministry of Commerce on August 1, 2011 and August 15, 2011; and
- (10) The Notice on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales (“關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知”) promulgated by the General Office of Ministry of Commerce on August 19, 2010.

On May 23, 2011, the General Office of the State Council promulgated the Notice on Standardizing the Administration for Commercial Pre-paid Cards (“關於規範商業預付卡管理的意見”) (“Commercial Pre-paid Cards Notice”), which is jointly formulated by PBOC, Ministry of Supervision of the People’s Republic of China, Ministry of Finance of the People’s Republic of China, MOFCOM, SAT, SAIC, National Bureau of Corruption Prevention of the People’s Republic of China, and which demonstrates by context that the competent authorities acknowledge the positive effect of pre-paid cards and do not prohibit a commercial enterprise from issuing pre-paid cards itself.

The Commercial Pre-paid Cards Notice also acknowledged that a commercial enterprise may issue specific-purpose pre-paid cards for itself subject to certain requirements indicated in the Notice, including:

- (1) a registration system for cardholders be set up, i.e., for those who purchase registered commercial cards or non-registered commercial cards exceeding RMB10,000 for one time, the issuer shall register their names;
- (2) payment be made through bank account transfer when an entity purchases prepaid cards with an aggregate amount exceeding RMB5,000 at one time or an individual purchases the cards exceeding the amount of RMB50,000 at one time; and
- (3) the par value of non-registered commercial cards do not exceed RMB1,000, while par value of registered commercial cards do not exceed RMB5,000.

REGULATION

It is further required that the issuer of the prepaid cards shall strictly abide by laws and regulations relating to invoice issuance when issuing invoices for sales of pre-paid cards. The General Office of Ministry of Commerce issued a Notice on the Implementation of Standardizing the Administration for Commercial Pre-paid Cards (“商務部辦公廳關於貫徹落實規範商業預付卡管理意見的通知”) on August 1, 2011 and a Notice on Launching a Specific Inspection on Specific-Purpose Pre-paid Cards (“商務部辦公廳關於開展單用途預付卡專項檢查工作的通知”) on August 15, 2011, both of which became effective as of their respective issuance date (collectively the “MOC Notices”). The MOC Notices reiterate the necessity of complying with the aforementioned requirements and require the local MOC authorities to launch an initiative to inspect the major issuers of the specific-purpose pre-paid cards. The inspection initiative commenced from August 20, 2011 and is expected to last until October 31, 2011. The issuers of specific-purpose pre-paid cards are required to carry out self-examination and implement remedial measures, if necessary, before September 30, 2011.

According to our PRC legal advisor, King & Wood, the payment methods through which we currently accept, including coupons, pre-paid cards, cash consumer cards and online sales, do not violate the relevant PRC rules and regulations.

PRC PRICING LAW

The principal law governing pricing of main raw materials (e.g., sugar, flour and oil) is the *Pricing Law of the PRC* (中華人民共和國價格法). The Pricing Law of the PRC was enacted on December 29, 1997 and came into effect on May 1, 1998. The law provides that the government supports and promotes fair, open and lawful market competition, maintains normal order of pricing and exercises administration, supervision and necessary control over pricing. The competent department for pricing under the State Council shall hold unified responsibility for the task of pricing throughout China. When necessary, the government may guide or fix the prices for the following commodities and services:

- (1) a very small number of commodities that have a vital bearing on the development of the national economy and the well-being of the Chinese people;
- (2) a small number of commodities for which resources are scarce;
- (3) commodities placed under natural monopoly;
- (4) important public utilities; and
- (5) important public welfare services.

When the prices of important commodities and services rise noticeably or are likely to do so, the State Council or the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government may adopt intervention measures for some of the commodities and services, such as setting the price differential rates or profit rates and ceiling prices, introducing the markup declaration system and the system for putting readjusted prices on record. When anomalous situations such as violent fluctuation arise in the general level of market prices, the State Council may adopt emergency measures nationwide or in some regions for temporarily centralizing the price-fixing powers and freezing part or all of the prices.

REGULATION

STANDARDIZATION LAW

The Standardization Law, which took effect on April 1, 1989, sets out the legal framework for the development of standard directives and their application by all industries and sectors nationwide. Pursuant to the provisions of the Standardization Law and its interpretations of its provisions, food hygiene is subject to mandatory state standards set by the state health supervisory authority, with its codes and announcement methods being formulated by the state standardization administrative authority in conjunction with the relevant state administrative and supervisory authority.

Where food products manufactured or sold by food production or trading enterprises do not conform to mandatory state standards, the enterprises may be subject to fines, orders to cease sale or production, confiscation of products and illegal proceeds, criminal liability to itself and persons directly responsible for the offences, or may have their products destroyed under supervision or subject to technical treatments.

GENERAL STANDARD FOR FOOD LABELS

The GB7718-1994 Standard of the PRC prescribes that all contents of food labels must not be misleading. According to the GB7718-1994 Standard of the PRC, foods must not be described or introduced in a misleading manner or manner to defraud, and food or a feature of food must not be confused with another food product by means of direct and indirect notation of language, graphics or punctuation. Food labels must be easy to understand, accurate and not misleading.

PRC FOOD ADVERTISEMENT RULES

The relevant laws and regulations, governing the advertising of our products, include the Advertising Law of the PRC (“中華人民共和國廣告法”) promulgated by the Standing Committee of the National People’s Congress of the PRC on October 27, 1994, the Administrative Regulations on Advertising (“廣告管理條例”) promulgated by the State Council on October 26, 1987, the Interim Regulations on Publication of Food Advertisement (“食品廣告發佈暫行規定”) promulgated by the SAIC on December 3, 1998, and the Regulations on the Registration of Outdoor Advertisements (“戶外廣告登記管理規定”) which was promulgated by the SAIC on May 22, 2006 and became effective on June 1, 2006.

According to the Interim Regulations on Publication of Food Advertisement (“食品廣告發佈暫行規定”), the advertisement for food shall be legal and shall not contain false and misleading statements, such as statement exaggerating the function of the products, or claiming or implying having any medical or therapeutic effects. For this purpose, the advertiser is obliged to provide the required license and permit, as well as other documents or certifications evidencing the truthfulness of the content of advertisement for verification, before the advertisement is released to the public.

According to the Regulations on the Registration of Outdoor Advertisements (“戶外廣告登記管理規定”), the advertiser and the advertisement publishing agent should apply for registration to the industry and commerce administrative department and obtain the “outdoor advertising registration certificate” in accordance with the provisions set forth in the aforesaid regulations before publishing the following advertisement: (1) advertisement that use the carrier of display card, electronic displays, light boxes, neon and use the outdoor spaces, facilities to issue; (2) advertisement that use transport, water floats, launch equipment, inflatable objects and

REGULATION

rendering, posting, suspension on the surface of models; (3) advertisement that set in the underground railway facilities, urban rail transit facilities, underground tunnels, stations, docks, and inside and outside the airport terminal; and (4) other forms of outdoor advertisement that stipulated by laws, regulations and the requirements of the SAIC.

According to our PRC legal advisor, the Group is in compliance with the above laws and regulations in relation to the advertisement published for its products.

ENVIRONMENTAL PROTECTION LAW

The Environmental Protection Law, which came into effect on December 26, 1989, sets out the legal framework for environmental protection in the PRC. The purposes of the Environmental Protection Law are to protect and enhance the living environment, prevent and cure environmental contamination and other public hazards, and safeguard human health from pollution and other harm to the environment. The State Administration for Environmental Protection, or SAEP, implements uniform supervision and administration of environmental protection work nationwide and formulates the national waste discharge standards. Local environmental protection bureaus at county level or above are responsible for the environmental protection in their respective jurisdictions.

Enterprises producing environmental contamination and other public hazards must incorporate environmental protection work into their planning and establish environmental protection systems. Those enterprises are also required to adopt effective measures to prevent pollution and other hazards to the environment, such as waste gas, water, deposits, dust, pungent gases, radioactive matters, noise, vibration and magnetic radiation. Enterprises discharging contaminated wastes must report to and register with SAEP or the relevant local environmental protection department. Enterprises discharging contaminated wastes in excess of the discharge standards prescribed by SAEP must pay non-standard discharge fees in accordance with state regulations and be responsible for its cure.

According to the Environmental Protection Law, the relevant government authorities shall impose different penalties against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and extent of contamination. Such penalties include warnings, fines, imposition of deadlines for cure, orders to cease operation, shutdown, orders to re-install contamination prevention and cure facilities which have been removed or left unused and imposition of administrative actions against relevant responsible persons. Where the violation committed is serious, persons in violation may be required to pay damages to victims and persons directly responsible for such violation may be subject to criminal liability.

LAW OF PREVENTION AND CURE OF WATER CONTAMINATION

Promulgated on May 11, 1984, and latest amended on February 28, 2008, the Law of Prevention and Cure of Water Contamination of the PRC (“中華人民共和國水污染防治法”) sets out the legal scope for the prevention of contamination to ground and underground waters of rivers, lakes, canals, channels and reservoirs within the PRC. The environmental protection departments of all levels of people’s governments implement uniform supervision and administration of the prevention and cure of water contamination. SAEP formulates the state quality standards for water environment and the state discharge standards for contaminated wastes.

REGULATION

All new, renovated or rebuilt construction projects discharging contaminated wastes directly or indirectly into water must conform to the regulations relating to the relevant environmental protection administration of construction projects of the state. Installations for the prevention and control of water pollution as concerned in a construction project shall be designed, constructed and put into use simultaneously with the principal part of the project. Such installations shall be subject to the acceptance check of the administrative department of environmental protection, and, if they fail to pass the check, the construction project may not be put into production or use. Enterprise which directly or indirectly discharge contaminated wastes must obtain pollutant discharge license and report and register their contaminated wastes discharge facilities, processing facilities and the types, amounts and concentrations of contaminated wastes discharged under normal operating conditions and provide technical information in respect of prevention and cure of water contamination to the local environmental protection departments. Enterprise units discharging contaminated wastes into water are required to pay the prescribed waste discharge fees. Enterprises shall not discharge contaminated wastes exceeding the state discharge standards.

Enterprises which fail to comply with the provisions of the law may, depending on the circumstances of the case, be subject to penalties such as warnings, fines, orders to cease production and shutdown issued by the environmental protection administrative and supervisory authority. Officers of such enterprises may also be charged with personal liabilities.

THE FIRE PROTECTION LAW

The Fire Protection Law was promulgated on April 29, 1998 and amended on October 28, 2008. According to the Fire Protection Law, enterprises in the PRC are required to prevent fire. Enterprises should install fire prevention safety facilities at the company premises, set up fire prevention rules and operational procedures and appoint internally persons responsible for fire prevention. The enterprises, as well as the designing, construction, project supervision and other entities, shall be responsible for the quality of fire protection design and construction according to law.

If an enterprise fails to comply with the Fire Protection Law, it may be ordered by the fire protection department of the public security authority to rectify the non-compliance within a specified time period. If the enterprise fails to do so within the specified time period, it will be ordered to suspend business operations and may also be imposed a fine.

Fire Safety Filing

The Administrative Measures on Fire Protection Supervision of Construction Project (“**建設工程消防監督管理規定**”), or the Fire Protection Measures, which became effective on May 1, 2009, provides that:

- (1) for certain kinds of large-scale people-intensive site construction projects or other special construction projects as defined in the Fire Protection Measures, the construction entities must submit the fire safety design documents to the fire protection department of the public security authority for fire safety design approval, and upon completion of such construction projects, the construction entities must apply for fire safety acceptance check by the fire protection department; and

REGULATION

- (2) for those construction projects that do not belong to large-scale people-intensive site construction projects or other special construction projects, the construction entities are obliged to file the fire safety design documents with and make project completion fillings with the fire protection department, either through the official online filing system of, or by submitting physical filing forms to, the fire protection department. The fire protection department, after receipt of such filings, will conduct spot checks on those filed construction projects, and will make the filing records and spot check results available for public searches through the official online filings system.

Each of Shanghai, Zhejiang and Jiangsu has promulgated its respective provincial regulations on fire protection, which restates the fire protection requirements for construction projects stated in the national Fire Protection Law and Fire Protection Measures.

As advised by our PRC legal advisor, King & Wood, the retail outlets operated by us do not belong to large-scale people-intensive site construction projects or other special construction projects as defined in the Fire Protection Measures, therefore are subject to those fire safety filing requirements.

We are required to perform fire safety filings procedure for each of our retail outlets located in Shanghai. As of the Latest Practicable Date, we have obtained fire safety filings for all the retail outlets located in Shanghai.

As for the retail outlets located in Zhejiang province, according to the Zhejiang Reply, the retail outlets of which the gross floor area is less than 300 sq.m. are not required to apply for the fire safety filings. None of our retail outlets located in Zhejiang province has a gross floor area more than 300 sq.m., therefore all of our retail outlets located in Zhejiang province are not within the scope of fire safety filings.

We are required to perform fire safety filings for each of our retail outlets located in Jiangsu province. According to the Jiangsu Letter, all of the retail outlets we currently operate in Jiangsu province have completed fire safety filing procedures in accordance with the relevant fire safety laws and regulations.

Fire Safety Inspection

Under the Fire Protection Law, a public gathering place, such as a hotel, restaurant, shopping mall, market, waiting room of a passenger transport station, waiting room of a passenger transport dock, terminal of a civil airport, gym, stadium, auditorium, public amusement place, is legally required to apply for a fire safety inspection by, and obtain a fire safety inspection opinion from the fire protection department of the public security authority, before it is put into use or opens for business. The Fire Protection Law does not provide if our retail outlets belong to a public gathering place.

The provincial regulations on fire protection of Shanghai, Zhejiang province and Jiangsu province also require fire safety inspection be conducted before a public gathering place is put into operation. Furthermore, the provincial fire protection regulation of Jiangsu province has provided detailed information on the procedure and approving standard for fire safety inspection. However, none of those provincial regulations provides further elaboration on the definition of the public gathering place.

REGULATION

According to our consultations with the Fire Department of Shanghai Public Security Bureau, other than subway stores, all retail outlets with a gross floor area greater than 300 sq.m. will be deemed as public gathering places, and are subject to the fire safety inspection requirement. As of the Latest Practicable Date, all of our retail outlets in Shanghai have met the requirement of fire safety inspection.

According to the Zhejiang Reply issued by Fire Department of Zhejiang Public Security Bureau, in Zhejiang province, the retail outlets of which the gross floor area is less than 200 sq.m. are not required to complete fire safety inspection. As of the Latest Practicable Date, all of our retail outlets in Zhejiang province have met the requirements of fire safety inspection.

We are required to perform fire safety inspection for each of our retail outlets located in Jiangsu province. According to the Jiangsu Letter, all of the retail outlets we currently operate in Jiangsu province have completed fire safety inspection procedures in accordance with the relevant fire safety laws and regulations.

LAWS AND REGULATIONS RELATING TO TAXATION

According to the PRC Enterprise Income Tax Law (“中華人民共和國企業所得稅法”) (“PRC EIT Law”) enacted on March 16, 2007 and effective since January 1, 2008, a uniform income tax rate of 25% should be applied to foreign-invested enterprises and foreign enterprises which have set up institutions or facilities in the PRC as well as domestic enterprises. This new tax law supersedes the Income Tax Law of the PRC for Foreign Invested Enterprises and Foreign Enterprises and the Provisional Regulations of the PRC on Enterprise Income Tax. The PRC Enterprise Income Tax Law provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. Please see the section headed “Risk Factors – Risks Factors Relating to Conducting Business in the PRC – The discontinuation of tax benefits currently available to any of our PRC subsidiaries may adversely affect our business and results of operations” in this prospectus.

The PRC EIT Law removes the prior tax exemption and imposes a 10% withholding tax on dividends paid by foreign-invested enterprises to foreign investors, subject to further reduction by the applicable tax treaty. Pursuant to the “Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and 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避免雙重徵稅和防止偷漏稅的安排”) signed on August 21, 2006, which in Hong Kong, applies to income derived in any year of assessment commencing on or after April 1, 2007; and in the PRC, in any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it directly holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or at a rate of 10% if it holds less than a 25% interest in that subsidiary. In addition, under the PRC EIT Law and its implementation rules, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The PRC Enterprise Income Tax Law and its implementation rules provide that “de facto management body” of an enterprise is the organization that exercises substantial and overall management and control over the

REGULATION

production, employees, books of accounts and properties of the enterprise. Please also see the section headed “Risk Factors – Risks Relating to Conducting Business in the PRC – We may be classified as a ‘resident enterprise’ for PRC enterprise income tax purposes; such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders” in this prospectus.

LAWS AND REGULATIONS RELATING TO LABOR

The Labor Law of the PRC (“中華人民共和國勞動法”) (the “Labor Law”) was promulgated and came into force on January 1, 1995. According to the Labor Law, employees are entitled to, among others, equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health and the rights to social insurance and welfare. The Labor Contract Law of the PRC (“中華人民共和國勞動合同法”) (the “Labor Contract Law”), another important law concerning employees, was promulgated on June 29, 2007 and came into force on January 1, 2008. The employment relationship is deemed to exist from the day the employee begins working for the employer. After a month but within one year of the commencement of an employment, if an employer does not sign a labor contract with the employee, the employer must pay double the salary for every month the employee has worked without a contract. If requested by an employee, an employer must enter into an open-term contract with the employee if: (i) the employee has been working for the employer for ten years consecutively, or (ii) a renewed contract with a fixed term has been executed and the employee and the employer agree to renew the contract once again. The employer also has to pay compensation to employees if the employer terminates an employment contract. Unless an employee refuses to extend an expired labor contract, such compensation is also required when the labor contract expires. Please also see the section headed “Risk Factors – Risks Relating to Conducting Business in the PRC – Labor laws in the PRC may adversely affect our results of operations” in this prospectus.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (“中華人民共和國外匯管理條例”). The Foreign Exchange Administration Regulations was enacted on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 1, 2008, PRC State Council amended the Foreign Exchange Administration Regulations. According to the currently effective Foreign Exchange Administration Regulations, payments of current account items may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. Current account items include the distribution of dividends, interest payments, trade and service related foreign exchange transactions. However, conversion of the Renminbi for capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, is subject to approvals of and regulations by the SAFE or its local branches. Foreign exchange income of a domestic institution or an individual may be transferred back into PRC or deposited overseas, specific conditions and/or term requirements of which shall be determined by the Foreign Exchange Administrative Department of the PRC State Council in light of the balance of the payments and the administrative requirements. An overseas institution or individual that makes direct investments in the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department.

REGULATION

On August 29, 2008, the SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company 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 unless specifically provided for in its business scope. In addition, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without the approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Please also see the section headed "Risk Factors – Risks Relating to Conducting Business in the PRC – Governmental control of currency conversion may limit our ability to use our profit effectively and the ability of our PRC subsidiaries to obtain financing" in this prospectus.

LAWS AND REGULATIONS RELATING TO FOREIGN DEBTS

The Tentative Measures on Administration of Foreign Debts ("外債管理暫行辦法") is promulgated jointly by the State Development Planning Commission, the Ministry of Finance and the State Administration of Foreign Exchange on January 8, 2003 and becomes effective on March 1, 2003. According to the Tentative Measures, the term "foreign debts" shall refer to the debts denominated in foreign currencies for which domestic institutions are liable to non-residents. Based on the types of debts, foreign debts shall be classified into loans from foreign governments, loans from international financial institutions and international commercial loans (international commercial loans refer to the commercial credits borrowed by domestic institutions from non-residents).

The Tentative Measures requires that the sum of (a) the cumulative amount of medium-term and long-term foreign debts; and (b) the outstanding balance of short-term foreign debts, borrowed by foreign-invested enterprises shall not exceed the surplus between (i) the total amount of investment for the project as approved by the government authority; and (ii) the registered capital. Foreign-invested enterprises may borrow foreign debts on their own within the scope of the said range of surplus, subject to registration with competent authority. If the loans exceed the surplus, the total amount of investment for the project shall be verified by the original examination and approval authority anew. It further states that short-term foreign debt funds borrowed by domestic enterprises shall mainly be used as working capital and may not be used for medium-term and long-term purposes, such as fixed assets investment.

The Interim Provisions of the State Administration for Industry and Commerce Concerning the Proportion of Registered Capital and Total Amount of Investment of Chinese-foreign Equity Joint Ventures ("國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定") ("Interim Provisions Concerning the Proportion") is promulgated by The State Administration for Industry and Commerce on February 17, 1987. Interim Provisions Concerning the Proportion requires that the proportion of registered capital and total amount of investment of Chinese-foreign equity joint ventures shall abide by the following provisions:

- (1) Where the total amount of investment of the Chinese-foreign equity joint venture is less than US\$3,000,000 (including US\$3,000,000), the registered capital shall account for not less than seven tenth of the total amount of investment;

REGULATION

- (2) Where the total amount of investment of the Chinese-foreign equity joint venture is over US\$3,000,000 to US\$10,000,000 (including US\$10,000,000), the registered capital shall account for not less than half of the total amount of investment. If the total amount of investment is less than US\$4,200,000, the registered capital shall be not less than US\$2,100,000;
- (3) Where the total amount of investment of the Chinese-foreign equity joint venture is over US\$10,000,000 to US\$30,000,000 (including US\$30,000,000), the registered capital shall account for not less than two fifths of the total amount of investment. If the total amount of investment is less than US\$12,500,000, the registered capital shall be not less than US\$5,000,000; and
- (4) Where the total amount of investment of the Chinese-foreign equity joint venture is over US\$30,000,000, the registered capital shall account for not less than one third of the total amount of investment. If the total amount of investment is less than US\$36,000,000, the registered capital shall be not less than US\$12,000,000.

If the Chinese-foreign equity joint ventures are not able to execute the provisions stated above under a given circumstances, they shall obtain the joint approval of the Ministry of Commerce and the State Administration for Industry and Commerce. The proportion requirements as set out in the Interim Provisions Concerning the Proportion also apply to wholly foreign-invested enterprises, therefore would also apply to our direct PRC Subsidiaries.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE REGISTRATION OF OFFSHORE INVESTMENT BY PRC RESIDENTS

On October 21, 2005, the SAFE issued the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Offshore Special Purpose Companies (“關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知”) (“Circular 75”), which became effective on November 1, 2005. Circular 75 requires PRC residents, whether legal persons or individuals, to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an offshore special purpose vehicle (“Offshore SPV”).

As advised by our PRC legal advisor, King & Wood, the Company does not fall into the ambit of an Offshore SPV established or controlled by any PRC resident for the purpose of capital financing and the provisions of Circular 75 are not applicable to the Global Offering for the following reasons: (i) the beneficiary owner of the Company and our PRC subsidiaries are individuals from Taiwan since the establishment of the Company and our PRC subsidiaries; and (ii) the Company was established and controlled by offshore investors.

REGULATION

Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the SASAC, the SAT, the SAIC, the CSRC and the SAFE, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“關於外國投資者並購境內企業的規定”) (the “New M&A Rules”), which became effective on September 8, 2006 and was amended by the MOFCOM on June 22, 2009. The New M&A Rules stipulate that the acquisition of a domestic enterprise by a foreign investor refers to circumstances whereby a foreign investor purchases by agreement the equity interest in a domestic, non-foreign invested enterprise (“Domestic Company”) or subscribes to the increased capital of a Domestic Company (an “Equity Acquisition”), and as a result, such Domestic Company becomes a foreign-funded enterprise; or, a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a Domestic Company and operates its assets, or, a foreign investor purchases by agreement the assets of a Domestic Company, and then invest such assets to establish a foreign-invested enterprise and operate the assets (an “Asset Acquisition”).

Considering (i) the beneficiary owner of the Company and our PRC subsidiaries are individuals from Taiwan since the establishment of the Company and our PRC subsidiaries; (ii) Shanghai Christine, our PRC subsidiary that holds most of the equity interests in our other PRC subsidiaries, is a foreign invested company since its establishment and does not fall into the definition of the Domestic Company under the New M&A Rules; and (iii) the onshore restructurings carried out by the Company for the purpose of the Global Offering were equity transfers among the foreign investors and do not constitute an Equity Acquisition or Asset Acquisition, our PRC legal advisor, King & Wood, has advised us that the New M&A Rules do not apply to the Global Offering, and we are not required to submit an application to the CSRC or any other government authority for its approval prior to the Global Offering under the New M&A Rules.

TAIWAN/MAINLAND INVESTMENT REGULATIONS

According to Paragraph 1, Article 35 of the Act Governing Relations between People of the Taiwan Area and the Mainland China Area, last amended in 2011, the Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China Area, last amended in 2010 and the Principles Governing Review of Investment or Technical Cooperation in the Mainland China Area, last amended in 2008 or the Taiwan/Mainland Investment Regulations, indirect investments made by a Taiwanese person (including individuals and enterprises) in the PRC through companies under its control are subject to the prior approval of the Taiwan Investment Commission (the “Prior Approval Requirement”). However, if the total cumulative investment amount represented by all Taiwanese persons in a single PRC enterprise does not exceed USD1.0 million, it is permitted to report to the Taiwan Investment Commission within six months after the investment was made in such PRC enterprise. The Taiwan/Mainland Investment Regulations also limit the amount of investments that each Taiwanese individual may make in the PRC. The investment limit for the investment in the PRC by a Taiwanese individual is USD5.0 million per year.

REGULATION

Where the Prior Approval Requirement is applicable, if a Taiwanese person violates the Taiwan/Mainland Investment Regulations when investing in any PRC entity without obtaining prior approval from the Taiwan Investment Commission, the Taiwan Investment Commission has authority to impose a fine ranging from NTD50,000 to NTD25,000,000, which will vary depending on the unapproved investment amount, on such violating Taiwanese person.

However, the Principles Governing Review of Investment or Technical Cooperation in the Mainland China Area provide that, for all investments made prior to March 10, 2008, if a Taiwanese person who has violated the Prior Approval Requirement in making investments in the PRC, files a voluntary report to the Taiwan Investment Commission specifying the investments that it has made and its willingness to accept the penalties to be imposed under Standards Governing Penalty on Illegal Investments or Technical Cooperation in the Mainland China Area, last amended in 2009, it will cure its violation of the Taiwan/Mainland Investment Regulations with respect to the PRC investments that it has made, notwithstanding that its aggregate investments in the PRC may have exceeded the applicable investment limit.