
REGULATORY FRAMEWORK

As all our business operations are based in the PRC, our Directors consider that we are subject to and will be affected by the change in the rules and regulations of the PRC. Summarised below are some of the most important laws, regulations and policies relating to the investment in, and the operation of, the chemicals industry in the PRC:

LAWS AND REGULATIONS RELATED TO THE PRODUCTION OF DANGEROUS CHEMICALS

《危險化學品安全管理條例》(the Regulations on the Safety Administration of Dangerous Chemicals*) which was revised by the State Council on 2 March 2011 and effective on 1 December 2011, are the main laws and regulations governing the production of dangerous chemicals in the PRC.

Regulations on the Safety Administration of Dangerous Chemicals are mainly applicable to the safety administration of production, operation, storage, transportation and use of dangerous chemicals within the territory of the PRC.

Pursuant to the Regulations on the Safety Administration of Dangerous Chemicals, dangerous chemicals include toxic chemicals and other chemicals which have the properties of poison, corrosion, explosion, burning and combustion supporting etc., and will be harmful for human body, facilities and environment. Relevant government authorities in the PRC will promulgate and revise the catalogue and list of dangerous chemicals from time to time. The PRC government carries out unified planning, rational arrangement, and implements strict control over the production and storage of dangerous chemicals.

Pursuant to the 《安全生產許可證條例》(Regulations on the Work Safety License*) which was issued by the State Council and promulgated on 13 January 2004, the PRC government carries out a licensing system relating to the safety production of mining enterprises, construction companies and enterprises that produce dangerous chemical products, fireworks and civil explosive materials. 國務院安全生產監督管理部門 (the Regulatory Authorities of the Safety Production under the State Council*) and other local government authorities are responsible for the issuance and administration of the Work Safety License. Any enterprise that fails to obtain the Work Safety License shall not engage in any producing activities.

Any enterprise that violates the requirements of the Regulations on the Work Safety License shall be ordered to suspend its production, confiscate its illegal earnings, and be imposed with a fine from RMB100,000 to RMB500,000. In the event that the said production results in serious accidents, the enterprise may be liable for criminal liabilities.

《危險化學品登記管理辦法》(Measures for the Administration of Registration of Hazardous Chemicals*) (Order of the State Economic and Trade Commission of the People's Republic of China (No. 35)), which was promulgated by the former State Economic and Trade Commission on 8 October 2002, provides that the production units of hazardous chemicals shall submit the registration materials to the Hazardous Chemicals Registration Offices at the provincial (autonomous-region or municipal) level for registration and obtain the registration certificate of the hazardous chemicals.

REGULATORY FRAMEWORK

Our Group obtained 《危險化學品生產單位登記證》 (Registration Certificate for the Production of Hazardous Chemicals*) numbered 350212002 from 福建省危險化學品登記註冊辦公室 (Fujian Province Hazardous Chemicals Registration Office*) dated 11 September 2010 which is effective for three years from the date of issuance and is in compliance of this order during the Track Record Period.

Pursuant to the 《關於全面開展危險化學品登記工作的通知》 (Notice of Comprehensive Implementation of the Registration Work of Hazardous Chemicals*) (An Jian Zong Wei Hua Zi [2005] No. 155*), the PRC government intended to complete the registration of hazardous chemicals of all the production units of hazardous chemicals in the PRC within three years (from 2006 to 2008).

LAWS AND REGULATIONS RELATED TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

中國商務部 (The Ministry of Commerce of the PRC*) (the “MOC”), 中國證券監督管理委員會 (China Securities Regulatory Commission*) (the “CSRC”), 國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council*), 國家稅務總局 (the State Administration of Taxation*), 國家工商行政管理總局 (the State Administration for Industry and Commerce*), and 中國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC*) (“SAFE”) jointly promulgated 《關於外國投資者並購境內企業的規定》 (the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*) (the “M&A Regulations”) on 8 August 2006, which became effective as of 8 September 2006 and revised on 22 June 2009. The M&A Regulations have provided detailed requirements for the basic system, approval and registration of mergers of domestic companies within the PRC by foreign investors.

Accordance to the M&A Regulations, mergers and acquisitions of a domestic enterprise by foreign investors shall mean that:

- (i) foreign investors, by agreement, purchase equity interest from shareholders of a PRC domestic enterprise with the result that such domestic company changes into a newly-established foreign-invested enterprise (“FIE”);
- (ii) subscribe to the increase in the registered capital of the PRC domestic enterprise with the result that such PRC domestic enterprise changes into a newly-established FIE;
- (iii) the foreign investors establish a FIE and then, through such enterprise, purchase the assets of a PRC domestic enterprise by agreement and operate such assets; or
- (iv) the foreign investors purchase the assets of a domestic enterprise by agreement and use such assets as investment to establish a FIE to operate such assets.

Pursuant to the Article 11 of M&A Regulations, if any PRC domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of the MOC.

Pursuant to the Article 39 and Article 40 of M&A Regulations, the listing of overseas special purpose companies (directly or indirectly controlled by a domestic company or an individual) shall be approved by the CSRC.

REGULATORY FRAMEWORK

As advised by our PRC Legal Adviser, the M&A Regulations shall not be applicable to our Group as our Group's PRC subsidiary is established as a FIE and the Controlling Shareholders of our Group are permanent residents in Hong Kong.

LAWS AND REGULATIONS RELATED TO FOREIGN-INVESTED ENTERPRISES

《中華人民共和國外資企業法》(The Law of the PRC on the Wholly Foreign-Owned Enterprises*), which was promulgated on 12 April 1986 and being revised on 31 October 2000, and 《中華人民共和國外資企業法實施細則》(the Implementation Regulations of the PRC Law on the Wholly Foreign-Owned Enterprises*), which was promulgated on 12 December 1990 and being revised on 12 April 2001 (collectively the “**FIE Laws**”), are the main laws and regulations applicable to the establishment and operation of foreign-capital enterprises.

Pursuant to the requirements of the FIE Laws, enterprises with foreign capital refers to those enterprises established in the PRC by foreign investors, exclusively with their own capital, excluding branches set up in the PRC by foreign enterprises and other foreign economic organisations. Enterprises with foreign capital must abide by laws and regulations in the PRC and must not engage in any activities detrimental to the PRC's public interest. The investments of a foreign investor in the PRC, the profits it earns and its other lawful rights and interests are protected by laws in the PRC.

The time limit for a foreign investor to make investment contribution shall be stipulated in the application for the establishment of the FIE and the articles of association of the enterprise. A foreign investor may make investment contribution by installments, but the last installment of the contribution shall be made within the period of three years from the day when the business license is issued. The first installment shall not be less than 15% of the total amount of the undertaken investment contribution, and shall be made in full within a period of 90 days from the day when the business license is issued. In the event that a foreign investor fails to make the first installment within the time limit, the approval certificate for the FIE shall become invalid automatically. And the FIE shall go through procedures for registration cancellation with the relevant government authorities. If there is any delay in the registration cancellation, it shall cause revocation of the business license by the relevant government authorities.

As for the distribution of profits, a FIE shall set aside at least 10% of the after-tax profits as its general reserves calculated in accordance with the relevant PRC accounting standards and regulations until the total cumulative reserve has reached 50% of the registered capital. In the event of shortfalls of the said contributions, the FIE shall not distribute any profits.

As our Group's PRC subsidiary is a FIE with limited liability, it shall also be subject to the requirements of 《中華人民共和國公司法》(the Company Law of the PRC*), which was promulgated on 29 December 1993, became effective as of 1 July 1994 and was revised on 25 December 1999, 28 August 2004 and 27 October 2005, in addition to the above laws and regulations related to FIE.

REGULATORY FRAMEWORK

LAWS AND REGULATIONS RELATED TO THE TAXATION IN THE PRC

Enterprise income tax

Pursuant to the requirements of the PRC Enterprise Income Tax Law, which was promulgated on 16 March 2007 and became effective as of 1 January 2008, the rate of EIT shall be 25%.

Pursuant to 《關於實施企業所得稅過渡優惠政策的通知》 (the Notice of the State Council on Carrying out the Transitional Preferential Policies Concerning Enterprise Income Tax*) (the “**Transitional Policies**”), which was promulgated and became effective on 26 December 2007, enterprises set up with approval prior to the promulgation of the PRC Enterprise Income Tax Law that enjoy low preferential tax rate may, pursuant to the provisions of the State Council, gradually transit to the tax rate provided herein within five years after the implementation of the PRC Enterprise Income Tax Law. If the enterprises enjoy regular tax exemption and reduction, the treatment will continue to apply until expiry. However, those that fail to be entitled to this treatment by reason of not making any profits, the preferential period shall be calculated from 2008.

NWCI has been entitled to the tax preferential policy of 兩免三減半 (Two-Year Exemption and Three-Year Reduction*) since its first profit-making year, being the year 2007, which means it was exempted from EIT for the first year and the second year, and entitled to a half reduction of the EIT from the third year to the fifth year from year 2007. Based on the PRC Enterprise Income Tax Law and related implementation stipulations, the preferential tax treatment in the PRC enjoyed by NWCI had been expired on 31 December 2011. Commencing on 1 January 2012, the actual tax rate applicable to NWCI was 25%.

Value-added tax

Pursuant to 《中華人民共和國增值稅暫行條例》 (the Provisional Regulations of the PRC on Value-Added Tax*), which was promulgated on 13 December 1993 and being revised on 5 November 2008, and its implementation regulations, all entities or individuals engaged in the sales of goods, provision of processing services, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax.

For taxpayers engaged in the sales of goods, the tax rate shall be 13% or 17%. For taxpayers providing processing services, repairs and replacement services, the tax rate shall be 17%. For taxpayers exporting goods, the tax rate shall be nil, except as otherwise stipulated by the State Council.

Business tax

Pursuant to 《中華人民共和國營業稅暫行條例》 (the Provisional Regulations of the PRC on Business Tax*), which was promulgated on 13 December 1993 and being revised on 5 November 2008, and its implementation regulations, all entities or individuals engaged in the provision of taxable services, the transfer of intangible assets or the sale of immovable properties (other than those engaged in the entertainment businesses) shall pay business tax in respect of its total turnover at the rate of 3% or 5%. The business tax of entertainment business shall be subject to business tax at the rate of 5% to 20%.

REGULATORY FRAMEWORK

LAWS AND REGULATIONS RELATED TO THE EXCHANGE CONTROL

Major reforms have been introduced to the exchange control system of the PRC since 1993. The main laws and regulations currently applicable is 《中華人民共和國外匯管理條例》(the Regulations on Exchange Control of the PRC*), which was promulgated on 29 January 1996 and revised on 14 January 1997 and 1 August 2008.

Pursuant to the Regulations on Exchange Control of the PRC, Renminbi is generally freely convertible for normal exchange transactions under current accounts (including exchange transactions related to trade and services and the payment of dividends). However, exchange transactions under capital accounts (including capital transfer, direct investment, security investment, derivatives and loans) continue to be strictly controlled, and shall be subject to the approval of or the registration with SAFE or its branch bureaus.

Under the Regulations on Exchange Control of the PRC, FIEs may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain supporting documents (such as board resolutions, tax certificates), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks in the PRC. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

《中華人民共和國環境保護法》(the Environmental Protection Law of the PRC*), which was promulgated and became effective on 26 December 1989, 《中華人民共和國環境影響評價法》(the Law of the PRC on Environmental Impact Assessment*), which was promulgated on 28 October 2002 and became effective as of 1 September 2003, and 《建設項目環境保護管理條例》(the Regulations on the Construction Project Environmental Protection*), which was promulgated and became effective on 29 November 1998, have together built the legal framework for the design and construction of production facilities of the PRC companies in terms of pollution control and environmental protection. While 《中華人民共和國大氣污染防治法》(the Law of the PRC on the Prevention and Control of Atmospheric Pollution*), which was promulgated on 29 April 2000 and became effective as of 1 September 2000, 《中華人民共和國水污染防治法》(the Law of the PRC on Prevention and Control of Water Pollution*), which was promulgated on 28 February 2008 and became effective as of 1 June 2008, 《中華人民共和國環境噪聲污染防治法》(the Law of the PRC on the Prevention and Control of Environmental Noise Pollution*), which was promulgated on 29 October 1996 and became effective as of 1 March 1997, and 《中華人民共和國固體廢物污染環境防治法》(the Law of the PRC on the Prevention of Environmental Pollution Caused by Solid Waste*), which was promulgated on 29 December 2004 and became effective as of 1 April 2005, have provided relevant requirements for the discharge, prevention and control, and supervision and management of the pollutant in the atmosphere, water, noise and solid waste.

Pursuant to the requirements of the Environmental Protection Law of the PRC, 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. Enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution.

REGULATORY FRAMEWORK

Pursuant to the requirements of the Law of the PRC on Environmental Impact Assessment, the Regulations on the Construction Project Environmental Protection and 《建設項目竣工環境保護驗收管理辦法》 (Administrative Measures for the Examination and Approval of Environmental Protection Facilities for Completion of Construction Projects) which became effective on 1 February 2002, for those construction projects that could cause environmental impact, the construction units shall appoint agencies engaging in the environmental impact assessment to issue an environmental impact report, an environmental impact statement or an environmental impact registration form, and report to the relevant government authorities for approval. The construction unit should, upon completion of a construction project, file an application with the relevant government authorities for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project.

Pursuant to the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, and the Law of the PRC on the Prevention of Environmental Pollution Caused by Solid Waste, the construction enterprises shall discharge pollutants in accordance with relevant laws for new construction projects, expansion or reconstruction projects that discharge pollutants to the atmosphere and water bodies and/or that cause environmental noise or solid wastes. Any enterprise that violates the relevant laws may be imposed with certain administrative penalty by relevant government authorities. Enterprise that has caused environmental pollution shall be responsible for the decontamination and shall indemnify the losses incurred by the units or individuals that have been directly impacted.

Pursuant to the 《福建省排放污染物許可證管理暫行規定》 (Provisional Administrative Measures on the Pollutant Discharge Permit of the Fujian Province*), when the environmental protection facilities of the new construction project is completed for inspection, the construction unit shall apply for the 《排污許可證》 (Pollutant Discharge Permit*).

LAWS AND REGULATIONS RELATED TO LABOUR PROTECTION

Our Group is subject to 《中華人民共和國勞動法》 (the Labour Law of the PRC*) which became effective on 1 January 1995 and 《中華人民共和國勞動合同法》 (the Labour Contract Law of the PRC*) which became effective on 1 January 2008, pursuant to which enterprises must enter into employment contracts with their employees based on the principles of equality, consent and agreement through consultation. Enterprises must establish and effectively implement a system to ensure occupational safety and health, employee education on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Enterprises must also pay for their employees' social insurance premium.

Pursuant to 《住房公積金管理條例》 (the Regulations on the Management of Housing Provident Fund*), which was revised by the State Council on 24 March 2002 and effective as from the same day, the regulations are applicable to the payment and deposit, withdrawal, use, management and supervision of housing provident fund within the territory of the PRC of China. The term "housing provident fund" as referred to in these regulations means long-term housing deposit fund collected from State organs, State-owned enterprises, collectively owned township enterprises, foreign-invested enterprises, private and other township enterprises, public institutions, private non-enterprise units and social organisations (hereinafter referred to as units) and their on-the-job workers and staff. The housing provident fund paid and deposited by workers and staff themselves as well as that paid and deposited by units to which the workers and staff belong is owned by the workers and staff themselves. Housing provident fund shall be used by workers and

REGULATORY FRAMEWORK

staffs for buying, building, overhauling and repairing houses for self living and shall not be misused by any unit or individuals for other purposes.

According to 《廈門市住房公積金管理規定》 (the Regulations on the Management of Housing Provident Fund of Xiamen City*), which was promulgated by Xiamen Municipal Government on 8 November 2008 and effective as from 1 January 2009, State organs, public institutions, State-owned enterprises, collectively owned township enterprises, foreign-invested enterprises, private and other township enterprises, private non-enterprise units and social organizations (hereinafter referred to as units) and their on-the-job workers and staff in Xiamen City shall all pay and deposit the housing provident fund. For the rural migrant workers employed by the township enterprises in Xiamen City, the enterprises and workers can opt to pay and deposit the housing provident fund. Under the Regulations on the Management of Housing Provident Fund of Xiamen City, it is not mandatory for the township enterprises in Xiamen City to pay and deposit housing provident fund for its rural migrant workers. Our PRC Legal Adviser advised that as NWCI's place of registration is situated within the foreign enterprise investment zone delineated by the Xiamen Municipal Government, it has the status of township enterprise.

As at the Latest Practicable Date, our Group employed 28 employees whose registered places of residence are rural areas. As such, they are qualified to become “rural migrant workers” (進城務工人員) as defined under 《廈門市住房公積金管理規定》 (the Regulations on the Management of Housing Provident Fund of Xiamen City*). Given that these 28 rural migrant workers in NWCI have voluntarily waived the payment and deposit of housing provident fund, NWCI has not paid and deposited any housing provident fund for these 28 rural migrant workers, and such action is not against the requirements stipulated in the Regulations on the Management of Housing Provident Fund, the Regulations on the Management of Housing Provident Fund of Xiamen City and other relevant laws and regulations and regulatory documents. For the avoidance of doubt, all 28 rural migrant workers have nevertheless signed a declaration evidencing their decision to forgo their entitlement, if any, to have our Group contributing towards the housing provident fund for their benefits.

It is required under 《中華人民共和國安全生產法》 (the Production Safety Law of the PRC*), which was promulgated on 29 June 2002 and became effective as of 1 November 2002, and other relevant laws that production and business operation entities shall provide workers with safe working environment and conditions for safety production as stipulated according to relevant laws, national standards and industrial standards and offer education and training programs to the employees to prevent and reduce production safety accidents and occupational diseases.

Pursuant to 《中華人民共和國職業病防治法》 (the Law of the PRC on Prevention and Control of Occupational Diseases*), which was promulgated on 27 October 2001 and became effective as of 1 May 2002, employers shall take measures to ensure workers receive occupational health protection. Employers who have projects entailing occupational disease hazards included in the published catalogue of occupational diseases shall make a timely and truthful report to the relevant government authorities.

LAWS AND REGULATIONS RELATED TO FOOD SAFETY

The Food Safety Law of the People's Republic of China (promulgated on 28 February 2009 and effective as from 1 June 2009) (the “**Food Safety Law**”) and the Implementation Measures for the Food Safety Law of the People's Republic of China (promulgated by the State Council on 20 July 2009 and effective as from the same day) (the “**Implementation Measures for the Food Safety Law**”) are the major law and regulation applicable to food safety.

REGULATORY FRAMEWORK

According to the requirements of the Food Safety Law and the Implementation Measures for the Food Safety Law, the State Council implements a licensing system for food production and trading. Any organisation or individual shall obtain a food production license, food distribution license, or catering service license according to the law before engaging in food production, food distribution, or catering service.

Any food production or trading activities shall comply with food safety standards and the statutory requirements, and any food production or trading activities that fail to comply with food safety standards or the statutory requirements shall be forbidden. Any enterprise engaged in food production shall establish and implement a food safety management system covering the verification of raw materials, production safety management, storage management, equipment management and substandard product management, and continuously optimise the food safety security system to ensure the safety of the food.

The State Council implements a licensing system for food additives. A food additive can be incorporated into the scope permitted for use only after it is technically required and proven to be safe and reliable through the risk assessment. Food producers shall apply food additives in accordance with food safety standards governing food additive varieties, scope of application and dosage levels and must not use any chemical substances other than food additives or other substances with possible hazards to human health during food production.

Food producers or traders who violate the Food Safety Law by engaging in unauthorised food production or trading activities or production of food additives shall have the illegal benefits, including food or food additives illegally produced or traded, and tools, equipment and raw materials used for illegal production or trading confiscated by the relevant authorities according to their respective duties and responsibilities, and be subject to fines.

LAWS AND REGULATIONS RELATED TO PLASTICISERS

The Ministry of Industry and Information Technology of the People's Republic of China (MIIT) promulgated Urgent Notice on the Pollution Prevention of Phthalic Acid Esters on 30 June 2011, effective as from the same day, according to which, all competent authorities at provincial (autonomous-region or municipal) level under the MIIT shall carry out investigation on the enterprises involved in phthalic acid esters in order to prevent the pollution of phthalic acid esters (plasticisers) on food. For the related producers and traders within the respective jurisdiction, the competent authorities shall pay special attention on the following issues during their investigation: whether the enterprise engaged in the production of phthalic acid esters has sold such products to the enterprises of food packaging materials; whether the relevant food enterprises have used the phthalic acid esters as packaging materials; whether the food enterprises have used the "clouding agent" produced by the questionable enterprises in Taiwan; and whether the food additive enterprises have procured or used phthalic acid esters.

Since our Group only engages in the production of PA and fumaric acid which are not categorised as phthalic acid esters, we do not fall within the scope of investigation by MIIT. To the best of our Directors' knowledge, we have not been and are not under the investigation of MIIT in relation to phthalic acid esters production.

REGULATORY FRAMEWORK

The national laws and regulations related to food safety and the National Food Safety Standard, the Food Additive Standard, the Hygienic Standard for the Use of Food Nutrition Reinforcement (GB14880-1994), the Hygienic Standard for the Use of Additives in Food Containers and Packaging Materials (GB9685-2008), Hygienic Standard for Food Containers and Packaging Materials and other standards and announcements published by the Ministry of Health shall be strictly complied with, and the investigation and examination on the products of the enterprises engaged in food packaging materials shall be further enhanced.

The PRC government has promulgated the National Food Safety Standard (GB25546-2010) for fumaric acid as a food additive, while there is no national standard for the production of fumaric acid for industrial use.

Given that NWCI is not engaged in the production or trading of food and plasticisers, NWCI is not subject to the laws and regulations that regulate food safety, production of plasticisers and production of fumaric acid as food additives. As such, NWCI is not required to obtain the licenses or approvals stipulated in the abovementioned laws and regulations for its production and operation.