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This section sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

#### **Laws and Regulations in relation to Foreign Invested Commercial Enterprises**

Our Group engages in wholesale and retail of children's products in China and is therefore subject to the Chinese laws and regulations in relation to foreign invested commercial enterprises.

In order to fulfill the PRC's WTO commitment in respect of the opening up of its distribution services sector, the Ministry of Commerce issued the Measures on the Administration of Foreign Investment in Commercial Sector (《外商投資商業領域管理辦法》), or the Measures, on April 16, 2004, which regulate foreign investment in commercial sectors such as wholesale, retail, commission agency and franchising. The Measures permit foreign investors to engage in the operation of distribution services on a wholly-owned basis from December 11, 2004. Also according to the Measures, from December 11, 2004 onward, the restriction on the geographical coverage for establishment of foreign invested retail enterprises and opening of stores by them was abolished. In terms of requirements for foreign invested commercial enterprises to set up stores, it is stipulated in the Measures that foreign investors can apply to incorporate the foreign invested commercial enterprise firstly, and then apply to open stores, or can apply to set up both commercial enterprise and stores at the same time in accordance with simplified procedures.

According to the Measures, a foreign invested commercial enterprise must meet the following conditions: (i) its minimum registered capital must comply with the requirements of the PRC Company Law (RMB30,000 for limited liability companies with two or more investors and RMB100,000 for limited liability companies with a single investor); (ii) it must comply with the normal total investment and registered capital requirements for foreign invested enterprises; and (iii) in general, its term of operation may not exceed 30 years, or 40 years in the central and western region of the PRC. Moreover, the foreign invested commercial enterprise must meet the following conditions to open retail stores: (i) if applying to open a store at the same time as applying to establish the enterprise, the proposed store must conform to the urban development plan and the commercial development plan of the city where it is located; and (ii) if applying to open a store after the establishment of the enterprise, then in addition to meeting the above requirement, the enterprise must also (a) have undergone and passed annual inspection on time, and (b) have received all of its registered capital from its investors.

The MOFCOM delegated its approval authority for the foreign invested commercial enterprises to its provincial counterparts in September 2008 and August 2010, and now unless the business of the foreign invested commercial enterprises relates to the sale of goods via television, telephone, mail order, wholesale of audio and video products, or sale of books, newspapers and journals, the approval for establishment of the foreign invested commercial enterprises and engaging in retail business and opening of stores by them shall be granted by the provincial counterparts of the MOFCOM. However, there is no such approval requirement for domestic enterprises such as Shanghai Desheng to engage in such business. Further, pursuant to the Notice on Relevant Issues Concerning Approval Administration on Sale of Products by Foreign Invested Enterprises via Internet Websites or Automats (《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》) issued by the General Office of the MOFCOM (商務部辦公廳) on August 19, 2010, from the date of this notice, foreign invested enterprises specifically engaging in retail business via Internet websites (專門從事網上銷售) shall obtain the approval from the provincial counterparts of the MOFCOM, but foreign invested enterprises which have been approved to conduct retail business may engage in retail business via

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Internet websites directly without further need to apply for a separate approval from the MOFCOM or its local counterparts regarding retail business via Internet websites.

Shanghai Boshiwa has obtained the approvals dated March 25, 2008, November 21, 2008 and June 24, 2010 respectively from the Shanghai Commerce Committee (or its predecessor, the Shanghai Foreign Investments Working Committee) regarding the wholesale and retail business of Shanghai Boshiwa and Boshiwa Enterprise as well as the establishment of all the self-managed retail outlets operated by Boshiwa Enterprise that are subject to such approval requirements.

### **Laws and Regulations in relation to Cosmetic Products**

Our products contain personal care products, which fall under cosmetic products under the Chinese laws and regulations and we are therefore subject to the Chinese laws and regulations in relation to cosmetic products.

The Regulations on Supervision of Sanitation of Cosmetic Products (《化妝品衛生監督條例》) were approved by the State Council on September 26, 1989 and promulgated by the Ministry of Health (衛生部) on November 13, 1989 to regulate the sanitation of the production and distribution of cosmetic products, and became effective on January 1, 1990. The Implementation Rules of the Regulations on Supervision of Sanitation of Cosmetic Products (《化妝品衛生監督條例實施細則》) were subsequently promulgated on March 27, 1991 and amended on May 20, 2005 by the Ministry of Health. Under these regulations and rules, retailers of cosmetic products are forbidden from sale of cosmetic products manufactured by unlicensed manufacturers, or cosmetic products without quality qualification certificates or without proper labels, packages or manuals. Also, under these regulations as well as other regulations promulgated by the Ministry of Health and the SFDA, for special-purpose cosmetic products to be imported for the first time into China, an application for a permit shall be made by the offshore manufacturer through its agent in China to the SFDA, and for non-special-purpose cosmetic products, an application shall be made for a filing certificate, and the permit or filing certificate obtained from the SFDA shall be valid for four years, and an application for renewal shall be made four months before expiration of the term thereof. Cosmetic products to be imported into China for the first time refer to the cosmetic products which have not been approved by or filed with the SFDA.

Cosmetic products are defined under the Regulations on Supervision of Sanitation of Cosmetic Products as the daily-used chemical products that are applied on any part of a human being's surface (such as hair, skin, nail, lips) by way of embrocation, spray or other similar methods for the purpose of cleaning, elimination of unpleasant odor, skin care or facial make-up, and special-purpose cosmetic products are defined thereunder as the cosmetic products that are used for special purposes such as hair restoring, hair dying, perming, hair removal, etc. All the cosmetic products imported by our Group into China for the first time are for non-special purpose and our Group has obtained the filing certificates from the SFDA for all of them. Such filing certificates shall be valid for four years from the respective issuance dates and are all valid as at the Latest Practicable Date. Our Group will apply to the SFDA for the filing certificates of any other non-special-purpose cosmetic products that will be imported by it into China for the first time in the future.

### **Laws and Regulations in relation to Promotion of Development of Chain Operation**

The Notice concerning Certain Opinions on Promotion of the Development of Chain Operation (《關於促進連鎖經營發展的若干意見》) was promulgated by the General Office of the State Council (國務院辦公廳) on September 27, 2002 to encourage and promote the development of chain operation. Chain operation is described under this notice as a modern distribution model with centralized procurement, diversified sales and standardized operation. This notice calls for deepening the reform

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so as to cultivate large-size chain operation enterprises, accelerating the construction of modern logistics system, improving the level of standardized chain operation, etc. This notice also provides that the relevant governmental authorities shall improve their efficiency, simplify the approval procedures and shorten the approval timeframe to create a better external environment for the chain operation enterprises.

### **Laws and Regulations in relation to Food Safety**

Our products contain food products such as milk powder, soft drinks, etc. and we are therefore subject to the Chinese laws and regulation in relation to food safety.

The Food Safety Law of the PRC (《食品安全法》), or the Food Safety Law, was promulgated on February 28, 2009 by the Standing Committee of the National People's Congress and became effective on June 1, 2009. The Implementation Regulations of the Food Safety Law (《食品安全法實施條例》) was subsequently promulgated on July 20, 2009. The Food Safety Law and its implementation regulations apply to the production and distribution of food, food additives and food related products. In order to further regulate retailers engaged in food circulation, on July 30, 2009, the SAIC promulgated the Measures for the Supervision and Administration of Food Safety in the Circulation Links (《流通環節食品安全監督管理辦法》) and the Measures for the Administration of Food Circulation Permit (《食品流通許可證管理辦法》). Under these regulations, retailers who are engaged in the sale of food must comply with applicable food safety standards and must obtain a permit from the relevant administration for industry and commerce, which permit shall be valid for a term of three years, and retailers shall apply for the renewal of such permit thirty days before expiration of the term thereof. In addition, retailers are required to check business permits and product qualification certificates of the food suppliers from whom they purchase food. Any violation of the Food Safety Law and its implementation regulations may result in legal liabilities, such as warnings, fines, damages, or even criminal liabilities for serious violations.

Boshiwa Enterprise, one of our PRC subsidiaries, and some of our self-managed retail outlets engage in wholesale or retail of food products such as milk powder, soft drinks, etc. Boshiwa Enterprise and our such self-managed retail outlets which are required to obtain the Food Circulation Permits (食品流通許可證) have obtained such permits from the relevant administration for industry and commerce. Such permits shall be valid for three years from the respective issuance dates and are all valid as of the Latest Practicable Date. Shanghai Boshiwa or Boshiwa Enterprise will apply to the relevant administration for industry and commerce for such permits in connection with the retail outlets with the business of sale of food to be opened by it in the future. Also, as confirmed by our Company, there has been no product recall or product problem in respect of the milk powder sold by us.

### **Laws and Regulations in relation to Imports and Exports**

Some of our products are imported from overseas suppliers and we are therefore subject to the Chinese laws and regulations in relation to imports and exports.

The Foreign Trade Law of the PRC (《對外貿易法》) was promulgated on May 12, 1994 and amended on April 6, 2004 by the Standing Committee of the National People's Congress to develop foreign trade in areas such as the import and export of goods, technology and international service, and to maintain order in foreign trade and promote the advancement of China's economy. The Foreign Trade Law requires enterprises engaged in foreign trade to register with the relevant authorities in charge of foreign trade under the State Council and obtain permissions for their foreign trade operations, if necessary. In addition, the Foreign Trade Law addresses such issues as intellectual

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property infringement, unfair competition, tax evasion and civil and criminal liabilities for violations of the foreign trade orders.

The Law of the PRC on Import and Export Commodity Inspection (《進出口商品檢驗法》) was promulgated by the Standing Committee of the National People's Congress on February 21, 1989 and amended on April 28, 2002, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《進出口商品檢驗法實施條例》) were promulgated by the State Council on August 31, 2005 and came into force on December 1, 2005. The main objectives of this law and its implementation regulations are to strengthen the inspection of, and ensure the quality of, import and export commodities to protect the lawful rights and interests of the parties involved in foreign trade, and to promote the development of China's economic and trade relations with foreign countries. The General Administration of Quality Supervision, Inspection and Quarantine, or the GAQSIQ (國家質量監督檢驗檢疫總局) oversees inspections, while local entry-exit inspection and quarantine bureaus (出入境檢驗檢疫局) shall perform inspections in areas under their jurisdiction.

Pursuant to this law and its implementation regulations, the GAQSIQ shall publish from time to time a catalog of imported and exported commodities which shall be subject to the compulsory inspection by local entry-exit inspection and quarantine bureaus and presently some of the products we import, such as cosmetic products are subject to such compulsory inspection. Such inspections cover quality, specifications, quantity, weight and packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection, among others, and are governed by compulsory standards or other inspection standards under the law. Any violation of the relevant provisions of this law, such as evading commodity inspections, may result in fines and other penalties. Serious violations may subject the responsible individual or enterprise to criminal liabilities.

As confirmed by our Company, Shanghai Boshiwa or Boshiwa Enterprise has passed the compulsory inspection for all the products it imported into China from time to time that are subject to the compulsory inspection. Boshiwa Enterprise or Shanghai Boshiwa will apply to the relevant local entry-exit inspection and quarantine bureaus for the compulsory inspection of the products to be imported by it in the future that are subject to such compulsory inspection.

### **Laws and Regulations in relation to Product Liability and Consumers Protection**

Product liability may arise if the products sold have any harmful effect on the consumers. The injured party may claim for damages or compensation. The General Principles of the Civil Law of the PRC (《民法通則》), which became effective in January 1987, state the manufacturers and sellers of defective products causing property damage and personal injury shall incur civil liabilities for such damage or injuries.

The Product Quality Law of the PRC (《產品質量法》) was enacted in 1993 and amended in 2000 to strengthen the quality control of products and protect consumers' rights and interests. Under this law, manufacturers and retailers who produce or sell defective products may be subject to the confiscation of earnings from such sales, revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liabilities.

The Law of the PRC on Protection of the Rights and Interests of Consumers (《消費者權益保護法》) was promulgated on October 31, 1993 and became effective on January 1, 1994 to protect consumers' rights when they purchase or use goods or services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers.

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### **Laws and Regulations in relation to Countering Unfair Competition**

The Law of the People's Republic of China for Countering Unfair Competition (《反不正當競爭法》) was promulgated by the Standing Committee of the National People's Congress on September 2, 1993 to prevent unfair competition and to protect legitimate interests of operators and consumers. It is provided under this law that the operators shall follow the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognized business ethics during their business operation. The operators are prohibited under this law from adopting unfair means, including without limitation, using registered trademarks of any third party without such third party's consent, using the name, packaging or decoration peculiar to or similar to those of well-known products which causes confusion among consumers. Also, pursuant to this law, an operator with monopolistic status may not compel consumers to purchase products from suppliers designated by it so as to exclude other operators from competing fairly. The operators are also prohibited under this law from offering a bribe in order to sell products, making false or misleading description of the quality, ingredients or function of the products by means of advertisement or otherwise, infringing upon the commercial secrets of others, selling products at prices lower than their costs in order to squeeze out competitors, imposing a tie-in sale, etc. An operator in violation of this law shall indemnify the other operators for the losses and damages incurred thereby. As for certain acts in violation of this law, the relevant administrative authorities may impose penalties, and in serious cases, the relevant operators may be subject to criminal liabilities if the relevant act constitutes a crime.

### **Laws and Regulations in relation to Promotion Activities of Retailers**

The Regulations on Promotion Activities of Retailers (《零售商促銷行為管理辦法》) were promulgated by the MOFCOM, the SAIC and several other ministries on September 12, 2006 and became effective on October 15, 2006 to govern the promotion activities of retailers and protect the legitimate interests of consumers. According to these regulations, the retailers, when conducting sales promotion activities, shall comply with, inter alia, the following requirements: (a) the contents of advertisements or any other propaganda for sales promotion of the retailers shall be authentic, lawful, explicit and understandable, in which the retailers may not use any language, word, picture or image which is ambiguous or misleading; (b) the retailers may not, under the excuse of retaining the final explanation right, impair the legitimate rights and interests of consumers; (c) the retailers may not charge any additional fees not indicated explicitly or induce consumers to buy products by giving them a discount on the basis of a false original price; (d) the retailers may not reduce the quality or after-sale service level of the relevant products; (e) the retailers may not, under the excuse of sales promotion, refuse or restrict the consumers' request to return or replace the relevant products.

### **Laws and Regulations in relation to Telecommunication and Internet Information Services**

We resumed online sales business through third-party websites in September 2010 after the introduction of the MOFCOM Notice on August 19, 2010. Shanghai Desheng is expected to obtain the ICP license by the end of 2010, and upon the granting of the ICP license and completion of the registration formalities by Shanghai Desheng to include "Internet information services" into its business scope, Shanghai Desheng will also conduct online sales business through its self-owned websites, which will be in compliance with the PRC laws and regulations. Before Shanghai Desheng obtaining such ICP license and completing the aforementioned registration formalities, Shanghai Desheng will not conduct online sales business through its self-owned websites.

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The principal regulations governing the telecommunication and Internet information services in China include:

The Telecommunication Regulations of the PRC (《中華人民共和國電信條例》), or the Telecom Regulations, were promulgated by the State Council on September 25, 2000. The Telecom Regulations categorize all telecommunication businesses in the PRC as either basic or value-added. Value-added telecommunication services are defined as telecommunication and information services provided through public network infrastructures. The Catalog of Telecommunication Business (《電信業務分類目錄》), an attachment to the Telecom Regulations as updated on April 1, 2003, categorizes various types of telecommunication and related activities into basic or value-added telecommunication services, according to which, Internet information services, or ICP services, are classified as value-added telecommunication services. Under the Telecom Regulations, commercial operators of value-added telecommunication services must first obtain an operating license for value-added telecommunication services, or the ICP license, from the MIIT or its provincial counterparts.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), or the Internet Measures, were promulgated by the State Council on September 25, 2000. According to the Internet Measures, a commercial ICP service operator must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP service within the PRC.

The Administrative Measures for Telecommunication Business Operating Licenses (《電信業務經營許可管理辦法》), or the Telecom License Measures, were promulgated by the MIIT on December 26, 2001 and were further amended on April 10, 2009. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunication services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

The Regulations on Administration of Foreign-Invested Telecommunication Enterprises (外商投資電信企業管理規定) were promulgated by the State Council on December 11, 2001 and were further amended on September 10, 2008. Such regulations set forth detailed requirements with respect to, among others, capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunication enterprise. Under such regulations, foreign investors may only own no more than 50% of the total equity interest in a PRC company providing value-added telecommunication services and the major foreign investor shall have good track record and experience in such industry. Accordingly, under the PRC laws and regulations, a company which is owned as to more than 50% by foreign investor(s) may not be granted with an ICP license. However, pursuant to the Notice on Relevant Issues Concerning Approval Administration on Sale of Products by Foreign Invested Enterprises via Internet Websites or Automats (《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》) issued by the General Office of the MOFCOM (商務部辦公廳) on August 19, 2010, or the MOFCOM Notice, a foreign invested enterprise may use its own online platform to engage in direct sales of products, i.e., engage in the online sales business through its own Internet website if its own Internet website has made the ICP filing (in Chinese, 備案) with the provincial counterparts of the MIIT, and no ICP license would be required for such kind of business. Notwithstanding the MOFCOM Notice, as advised by our PRC legal advisers, Haiwen & Partners, as the MIIT, rather than the MOFCOM, is the ministry supervising the value-added telecommunications services industry in China, it is not crystal clear and it shall be clarified or confirmed by the MIIT regarding whether engaging in online sales business through its own Internet website by a foreign invested enterprise or an enterprise established by a foreign invested enterprise, may only need to make the ICP filing with, versus obtaining an ICP license from, the MIIT or its local counterparts; and as of the Latest Practicable Date, the MIIT has not made such clarification or determination. We undertake to the Stock Exchange that Shanghai Boshiwa will exercise the option to acquire from Mr. Zhong all or part of his equity interest of Shanghai Desheng, to the extent permitted under the PRC law.

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The Notice on Intensifying the Administration of Foreign Investment in Value-added Telecommunication Services (《關於加強外商投資經營增值電信業務管理的通知》) was promulgated by the MIIT on July 13, 2006. Under this notice, the domain names and registered trademarks used by an operating company providing value-added telecommunication service shall be legally owned by such company and/or its shareholders. In addition, such company's operation premises and equipment should comply with its approved ICP license, and such company should establish and improve its internal Internet and information security policies and standards and emergency management procedures.

### **Laws and Regulations in relation to Online Sales Business through Third-party Websites**

We resumed to conduct online sales business through third-party websites in September 2010 after the introduction of the MOFCOM Notice issued on August 19, 2010, which is in compliance with the PRC laws and regulations, and is therefore subject to the Chinese laws and regulations in relation to online sales business through third-party websites.

The Tentative Measures on Administration of Online Trade of Goods and Related Services (《網絡商品交易及有關服務行為管理暫行辦法》) were promulgated by the SAIC on May 31, 2010 and became effective on July 1, 2010 to mainly regulate the operation of online trade platform provided by the relevant Internet websites and the operation of online stores. Pursuant to these measures, the operators of online stores which are companies shall display at the relevant webpage of its online store the information as indicated in its business license or the electronic link to its business license. Also, the operators of online stores shall comply with the Product Quality Law of the PRC (《產品質量法》), the Law of the PRC on Protection of the Rights and Interests of Consumers (《消費者權益保護法》) and other laws and regulations, and may not harm the legitimate interests of consumers. The operators of online stores shall firstly introduce the name, quantity, quality, price, freight, delivery manner, payment manner and other information of the relevant products prior to selling such products to the consumers and shall provide the purchase voucher to the consumers in accordance with applicable laws and regulations or business practice, or, upon the consumers' consent, provide the purchase voucher in electronic form, and the operators of online stores may not infringe on the registered trademark, trade name or commercial secrets, or damage the goodwill or reputation of any third party.

Further, the MOFCOM issued the Guidance Opinions on Improving the Healthy Development of Online Sales (《關於促進網路購物健康發展的指導意見》) on June 24, 2010 and presented several guidance opinions so as to improve the healthy development of online sales. These opinions call for broadening the product offerings and online sales channels, strengthening the interaction and co-development of the online sales and the sales through physical stores, regulating the online sales business and protecting the legitimate interests of consumers, etc.

### **Laws and Regulations in relation to Intellectual Property Rights**

China has adopted comprehensive legislation governing intellectual property rights, including trademarks, patents and copyrights. China has adhered to the main international conventions on intellectual property rights and has become a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

#### ***Patent Law***

The National People's Congress adopted the Patent Law of the PRC (《專利法》) in 1984, and amended it in 1992, 2000 and 2008. The purpose of the Patent Law is to protect the lawful interest of patentee and encourage invention, foster applications of invention, improve the innovative ability and promote the development of science and technology. A patentable invention or utility model must meet

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three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or the design used primarily for the identification of pattern, color or the combination of the two on printed flat works. The Intellectual Property Office under the State Council is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model or design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

### ***Copyright Law***

The Copyright Law of the PRC (《著作權法》) was adopted in 1990 and amended in 2001 and 2010 to widen the scope of works eligible for copyright protection. In addition, there is a voluntary registration system administered by the China Copyright Protection Center.

### ***Trademark Law***

Registered trademarks are protected under the Trademark Law of the PRC (《商標法》) adopted in 1982 and amended in 1993 and 2001. The PRC Trademark Office of the SAIC (國家工商行政管理總局商標局) is responsible for the registration and administration of trademarks throughout China. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained “sufficient degree of reputation” through that person’s use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

### **Laws and Regulations in relation to Foreign Exchange**

Pursuant to the Foreign Currency Administration Rules (《外匯管理條例》) promulgated in 1996 and amended in 1997 and 2008 by the State Council and various regulations issued by the SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval from, or registration with, the SAFE or its local counterpart for conversion of Renminbi into a foreign currency, such as US dollars, and remittance of the foreign currency outside the PRC. Payments for transactions that take place within the PRC must be made in Renminbi, with limited exceptions.

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Pursuant to the SAFE Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《國家外匯管理局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》), or the SAFE Circular No. 75, issued by the SAFE on October 21, 2005, (i) a PRC resident shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle, or an overseas SPV, for the purposes of overseas equity financing (including convertible debt financing); (ii) when the PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing such assets or equity interests into an overseas SPV, such PRC resident shall register his or her interest in the overseas SPV and the change thereof with the local branch of the SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as change in share capital or merger or acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register or file such change with the local branch of the SAFE. The SAFE subsequently issued relevant guidance with respect to the operational process for the SAFE registration under the SAFE Circular No. 75, which standardized more specific and stringent supervision on the registration relating to the SAFE Circular No. 75 and imposed obligations on onshore subsidiaries of the overseas SPV to coordinate with and supervise the beneficial owners of the overseas SPV who are PRC residents to complete the SAFE registration process. Under the SAFE Circular No. 75 and relevant SAFE rules, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV, and penalties on the PRC residents and/or the PRC subsidiary of the overseas SPV. In case a PRC resident refuses to make required registration and filings, the relevant onshore company may be exempted from penalties if it has reported such refusal to the SAFE in writing.

Our PRC legal advisers, Haiwen & Partners, have confirmed that Mr. Zhong, who is a PRC resident and one of the beneficial owners of our Company, has completed the SAFE registration in respect of his investment in our Group in accordance with the PRC laws.

### **Regulation in relation with Overseas Listing**

On August 8, 2006, six PRC regulatory agencies, namely, the MOFCOM, the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the SAIC, the CSRC, and the SAFE, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006, and the M&A Rules were subsequently amended on June 22, 2009. The M&A Rules include provisions that purport to require offshore special purpose companies, controlled directly or indirectly by PRC companies or individuals with a view to listing on an overseas stock exchange with their operating companies or assets in China, to obtain the approval of the CSRC prior to the listing and trading of their securities on any overseas stock exchange. On September 21, 2006, the CSRC issued certain regulations regarding indirect issuance of stock abroad or listing of securities at overseas markets for trading by domestic enterprises (境內企業間接到境外發行證券或者將其證券在境外上市交易), which set forth the documents and materials to be submitted and the procedures required for obtaining such approval from the CSRC.

Our PRC legal advisers, Haiwen & Partners, has confirmed that, because Shanghai Boshiwa is a foreign invested enterprise established before the promulgation of the M&A Rules and the acquisition by Great Dragon or Pacific Leader of the 100% equity interests in Shanghai Boshiwa did not constitute an acquisition of a domestic company under the M&A Rules and did not involve any share swap transaction, the Listing does not require the approval of the CSRC or any other PRC governmental authorities under current PRC laws, regulations and rules.