Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares registered on the Hong Kong branch register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

Dividends

Under the current practice of the Inland Revenue Department, no profits tax is payable in Hong Kong in respect of dividends paid by us.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of the persons whose death occur on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

HONG KONG LEGAL ISSUES

There is no comprehensive legislation in Hong Kong governing product liability and consumer protection as in some jurisdictions. The law in this area comprises of legislation and case law, on both civil and criminal aspects. Our Directors confirm that we and/or our products have complied with the requirements of the said laws and regulations in Hong Kong set out below.

Consumer Goods Safety Ordinance

There are several pieces of legislation dealing with product safety requirements, the most common one being the Consumer Goods Safety Ordinance (Cap.456) (the “CGS Ordinance”). Under the CGS Ordinance, all consumer goods (except those listed in the Schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong.
The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means to make the consumer goods safer. The CGS Ordinance also provides a due diligence defence.

Any person who sells unsafe goods commits an offence and is liable to a fine of HK$100,000 and an imprisonment of one year on first conviction, and HK$500,000 and 2-year imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Electricity Products (Safety) Regulation

The Electricity Products (Safety) Regulation (Cap. 406G of the Laws of Hong Kong) (the “EP Safety Regulation”) is made under Section 59 of the Electricity Ordinance (Cap. 406 of the Laws of Hong Kong). It sets out the essential safety requirements for electrical products (of particular voltages as prescribed under such Ordinance) designed for household use and supplied in Hong Kong. Some of our Group’s products therefore fall under the purview of the EP Safety Regulation.

The main purpose of the EP Safety Regulation is to ensure electrical safety. Under the EP Safety Regulation, persons supplying electrical products which are designed for household use and supplied in Hong Kong have to ensure that their electrical products comply with the applicable safety requirements specified in them. These persons include manufacturers, importers, wholesalers and retailers. The suppliers are also obliged to ensure that a “certificate of safety compliance” as stipulated under the EP Safety Regulation has been issued for each model of their electrical products supplied. In general, a certificate or test report issued by a “recognized certification body” (which is stipulated under the EP Safety Regulation) or a declaration of conformity issued by a “recognized manufacturer” or (in some cases) by the product manufacturer will be accepted as a certificate of safety compliance.

Any person who supplies an electrical product in Hong Kong which fails to comply with the applicable safety requirements specified in the EP Safety Regulation commits an offence and is liable to a fine of HK$100,000 and an imprisonment of one year on first conviction, and HK$500,000 and 2-year imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Contractual Obligations and the Sale of Goods Ordinance

In Hong Kong, contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied terms or conditions and warranties. The Control of Exemption Clauses
Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both of these statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

Tortious Obligations

Besides contractual duties, there may also be duties of care owed by suppliers of goods under the common law and in particular, under the law of negligence. For example, there is a duty of care owed by the manufacturer, importer and supplier of products and that duty is owed to consumers of such products. If a manufacturer, importer or supplier discovers or has reasons to believe that his product may be unsafe, he may have to cease to supply the product in its unsafe form, and to give proper warning and instructions to persons to whom the product is supplied. Where the risk of injury is high, the required standard of care will also be high. Any person who undertakes to design, import, supply or install a product, and who negligently performs his work and causes damage to other person or property, will be liable as a result. Some products may carry inevitable risk upon use. A dangerous product can be safe if sufficient precaution is taken in handling or use. The duty on the supplier is to provide proper labelling, and adequate and clear instructions for handling and use of the product so as to warn the users of their products against a foreseeable danger.

Labelling

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

Medical Device Administrative Control System

Some of our Group’s products (such as blood-pressure monitors) may fall under the definition of “medical device” under the Medical Device Administrative Control System (“MDAC System”) administered in Hong Kong.

The MDAC System was first introduced in Hong Kong in November 2004 by the Hong Kong Government, having regard to the recommendations set out in the Consultation Document entitled “Regulation of Medical Devices” dated July 2003. As mentioned in that Consultation Document, pending the enactment of legislation, an administrative control system would be first implemented to facilitate the transition to the long-term statutory control. Currently, there is no specific legislation in Hong Kong to regulate the importation or sale of medical devices in Hong Kong except those containing pharmaceutical products or emitting ionizing radiation. The MDAC System is managed by the Medical Device Control Office in the Department of Health.
The MDAC System features both a listing system (under which manufacturers and importers of medical devices (except for those of very low risk as classified under the system) may voluntarily list their products with the Department of Health), and an adverse incident reporting system (through which the recurrence of adverse incidents could be prevented). The goal of the MDAC System includes raising public’s awareness of the use of safe medical devices through the listing of medical devices and monitoring of adverse incidents.

As the listing of medical devices is voluntary, our Group has not made any application for the listing in the MDAC System of our products which fall under the category of medical devices.

### Laws and regulations in relation to advertising

Hong Kong does not have a piece of comprehensive legislation to regulate advertising practice. There are a number of ordinances and regulations regulating the advertising and promotion of products and services, the breach of some of these applicable laws and regulations may result in criminal offences. The relevant legislations include the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong). Under this Ordinance, it is a criminal offence to apply a false trade description to any goods or supply goods with false trade descriptions. False and misleading trade descriptions of products used in advertisements are also prohibited. The Undesirable Medical Advertisement Ordinances (Cap. 231 of the Laws of Hong Kong) prohibits the publication of any advertisements likely to lead to the use of any medicine or surgical appliance for the treatment of certain diseases or conditions or for certain purposes.

In Hong Kong, comparative advertising where one compares the product price or service fee using a registered mark of another party, for example, a competitor, may infringe the Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong) unless it falls within the exception of section 21(1) of the Trade Marks Ordinance if such use is in accordance with honest practices in industrial or commercial matters.

Under the Broadcasting Authority Ordinance (Cap. 391 of the Laws of Hong Kong) and the Broadcasting Ordinance (Cap. 562 of the Laws of Hong Kong), the Broadcasting Authority may issue codes of practice to regulate standards relating to programmes and advertisements. The Broadcasting Authority has issued various codes of practice including the Generic Code of Practice on Television Advertising Standards. The underlying principle for these codes is that all advertisements should be clean, honest and truthful and may not contain any descriptions or claims which expressly or by implication depart from truth or mislead the product or service advertised or about the suitability for the purpose recommended. The responsibility lies with the broadcaster to ensure that these codes are observed.

Under the Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong), one of the Consumer Council's functions is to protect and promote good practices in the dissemination of consumer information, which include protecting consumers from untruthful claims in advertisements. The Consumer Council published various guidelines including the Consumer Council Good Corporate Citizen's Guide in March 2005 and Good Corporate Citizen’s Guide II in October 2006. The
underlying principle for these guidelines serves to remind enterprises of the need to ensure that their promotional materials and advertisements are truthful, unbiased and sensible, without any misleading elements, and in compliance with the requirements stipulated in the related legislations or rules, allowing consumers to make informed decisions when making purchases.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to product liability

The Commercial Code of Macau states that “A producer commercial entrepreneur is liable, regardless of fault, for damage caused to third parties by the defects of products that he puts in circulation”. Our Group may be considered as a “producer commercial entrepreneur” as a “producer”, which includes “anyone who, in the exercise of his enterprise, imports products for sale, lease, financial lease or another form of distribution”. A product is considered “defective” if, “at the moment of its entry into circulation, it does not offer the safety that legitimately is to be expected”. The customer shall have right to claim for compensation resulting from the defective products provided that such defective products are “normally destined to private use or consumption and that the injured party has mainly given them such destination”.

Laws and regulations in relation to labour related matters

The legal regime in relation to labour matters in Macau is mainly based on the following legislations:

14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);

22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);

18th of February — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights);

2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion);

14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);

18th of August — Law No. 7/2008 (Labour Relation Law);

15th of October — Law No. 21/2009 (Law of Hiring non residents workers);

23rd of August — Law No. 4/2010 (social security regime);
The legal regime of labour matters in Macau is developed based on 27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribes general principles and directions of labour legislations in different aspects.

In addition to the above-mentioned legislations, 18th of August — Law No. 7/2008 (Labour Relation Law) plays an important role in the labour legal regime which has become effective since 1 January 2009 and has replaced the “old labour law” — 3rd of April 1989 — Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be waived by mutual agreement. All the working conditions of labour relations should not be worse than the basic conditions stipulated in such law.

As an employer, our Group shall comply with the conditions required under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees, failing which fine and cautious measures will be imposed on us according to 18th of February 1991 — Decree Law No. 13/91/M (determination of sanctions for the incompletion of general regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to the statutory requirements stipulated under 23rd of August — Law No. 4/2010 (social security regime) and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), our Group is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on us as legal sanction.

All employees of our Group in Macau are required to be Macau residents, non-permanent or permanent, or holders of working permits in case of foreign workers. Hiring of non-resident workers by us shall comply with the 15th of October — Law No.21/2009 (Law of Hiring non-resident workers) to obtain the working permits for foreign workers. Except for certain limited situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) workers other than Macau residents or holders of working permits will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (勞工事務局), Social Security Fund of Macau (澳門社會保障基金), the Human Resources office of Macau (澳門人力資源辦公室) and Monetary Authority of Macau (澳門金融管理局), respectively.
Laws and regulations in relation to taxation

Under the laws of Macau, industrial tax and profit tax are applicable to our Group. We shall declare the annual profits of last year to the Macau Finance Department on February or March and the Macau Finance Department will assess the profit tax payable by us accordingly. Under the law no. 21/78/M (Profit Tax), and the Budget law of year 2008 to 2010, the profits tax of the first MOP$200,000.00 of a company is exempted and the balance will be calculated by the rate from 9% to 12% progressively from year 2008 to 2010.

The industrial tax is fixed and calculated according to the business nature of a company. However, all the industrial tax is exempted by the Macau Government in year 2010 and year 2011. Macau Government will decide whether the exemption will be continued through the Budget law of the next year.

None of the dividends or distributions is subject to withholding or other taxes and is otherwise free and clear of any other tax. Our Group is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

Laws and regulations in relation to advertising

The laws on advertising are mainly regulated under the Law no. 7/89/M of Macau. According to the aforesaid law, all the advertisements shall be lawful, identifiable and true, in compliance with the principle of protecting consumers and fair competition. In addition, the advertisement of certain products or services, such as vehicle, medicine, building and travelling, shall also be under control and comply with special regulations. Besides, license shall be obtained from Macau governmental authorities for the installation of advertisement, failing which, fine will be imposed on the company and advertiser concerned. The company and advertiser concerned shall bear the criminal and civil liabilities arising from and/or in connection with the irregular advertisements at the same time.

THE PRC LAWS AND REGULATIONS

Policies in relation to wholesale of health and wellness products with foreign investment

OTO Shanghai is engaged in the business of wholesale of health and wellness products in China.

According to the guidance on the industry with foreign investment in the PRC, which can be found in the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) which was jointly issued by the National Development and Reform Commission and the Ministry of Commerce (the “MOFCOM”) on 31 October 2007 and has been promulgated and implemented from time to time, the business operations which OTO Shanghai is engaged in have not been listed as a business which belongs to the encouraged, prohibited, restricted industry categories. Under this Catalogue, business operations which OTO Shanghai is engaged in belong to the category of permitted industry with foreign investment.
Laws and Regulations in relation to Foreign Invested Commercial Enterprises

OTO Shanghai engages in wholesale of health and wellness products in China and is therefore subject to the Chinese laws and regulations in relation to foreign invested commercial enterprises.

The MOFCOM issued the Measures on the Administration of Foreign Investment in Commercial Sector (《外商投資商業領域管理辦法》) (the “Measures”), on 16 April 2004, which regulates 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 11 December 2004. 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.

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.

Laws and Regulations in relation to Imports

Some of our products are imported into the PRC from overseas and we are therefore subject to the Chinese laws and regulations in relation to imports. The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated on 12 May 1994 and amended on 6 April 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 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 (《中華人民共和國進出口商品檢驗法》) was promulgated by the Standing Committee of the National People’s Congress on 21 February 1989 and amended on 28 April 2002, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were promulgated by the State Council on 31 August 2005 and came into force on 1 December 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.
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 (《中華人民共和國民法通則》), which became effective on 1 January 1987 and was amended on 27 August 2009, state that 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 (《中華人民共和國產品質量法》) 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 (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 and became effective on 1 January 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.

Tort Law of the PRC (《中華人民共和國侵權責任法》) was promulgated and came into force on 1 July 2010 to clarify the tort liability and prevent and punish tortious conduct. Under this law, in the event of damage arising from a defective product, the infringe may seek compensation from either the manufacturer or seller of such product, and where such product with any defect caused by the fault of the seller the manufacturer shall be entitled to seek reimbursement from the seller upon compensation.

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) adopted in 1982 and amended in 1993 and 2001. The PRC Trademark Office of the SAIC 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 Taxation**

**Enterprise Income Tax**

The key taxes applicable to the companies in the PRC are enterprises income tax and value added tax.

The new EIT Law of the PRC (《中华人民共和国企业所得税法》) and Implementation Rules for the New EIT Law of the PRC (《中华人民共和国企业所得税法实施条例》), both of which were adopted on 16 March 2007 and became effective on 1 January 2008, impose a uniform enterprise income tax rate of 25% on enterprises, both domestic and with foreign investment. A resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. If an organization or establishment is set up by a non-resident enterprise in the PRC, it is subject to enterprise income tax for the income derived from such organization or establishment in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, its income derived in the PRC will be subject to enterprise income tax.

The enterprise income tax shall be levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or such non-resident enterprise which has set up a permanent establishment in the PRC but its earning income is not connected with the abovementioned permanent establishment will be subject to tax on their PRC-sourced income. The income shall be taxed at the reduced rate of 10%.

However, for foreign-invested enterprises from countries or regions that have signed bilateral tax agreements with China, the withholding rate may be reduced to as low as 5% depending on the terms of the applicable tax treaty. According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), effective from 8 December 2006 and issued by the State Administration of Taxation (國家稅務總局), the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% if the Hong Kong enterprise directly owns at least 25% of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%.

Further, pursuant to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (《關於印發<非居民享受稅收協定待遇管理辦法(試行)>的通知》) (國稅發2009124
which became effective on 1 October 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from or filing at the competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties.

In addition, in accordance with the Notice of the State Administration of Taxation on How to Understand and Determine the “Beneficial Owners” in the Relevant Taxation Treaties (国税函2009601号) issued by the State Administration of Taxation on 27 October 2009, the PRC tax authorities must evaluate whether an applicant (income recipient) can be qualified as a “beneficial owner” under the relevant taxation treaties on a case-by-case basis, and, in conducting such evaluation, the taxation authorities must examine the substance rather than the form of the relevant case.

The Notice of the SAT on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (国税函200981号) promulgated on 20 February 2009 by the SAT, states that the corporate recipient of dividends distributed by the PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of PRC (《中华人民共和国增值税暂行条例》), which was last amended by the State Council on 5 November 2008 with effect from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Value-Added Tax of PRC (《中华人民共和国增值税暂行条例实施细则》) issued by the Ministry of Finance and State Administration of Taxation on 15 December 2008 and which became effective on 1 January 2009, all enterprises and individuals engaged in the sales or importation of goods, and provision of processing, repairing and replacement services, within the territory of the PRC shall pay value-added tax at the following rates:

(1) For taxpayers selling or importing goods other than those specified in items (2) and (3) of below, the tax rate shall be 17%.

(2) For taxpayers selling or importing the following goods, the tax rate shall be 13%:

(a) grains, edible vegetable oils;

(b) tap water, heating gas, cooling gas, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;

(c) books, newspapers, magazines;

(d) feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and plastic film for farming; and

(e) other goods as specified by the State Council.
(3) For taxpayers exporting goods, the tax rate shall be 0%, unless otherwise specified by the State Council.

(4) The rate of VAT levied on small-scale taxpayers shall be 3%.

**Stamp Tax**

Pursuant to the Interim Regulations on Stamp Tax of PRC (《中华人民共和国印花税暂行条例》), which was enacted by the State Council on 6 August 1988 with effect from 1 October 1988 and its Detailed Implementation Rules on the Interim Regulations on Stamp Tax of PRC (《中华人民共和国印花税暂行条例施行细则》) issued on 29 September 1988 and amended 5 November 2004 by the Ministry of Finance and State Administration of Taxation, all institutions and individuals establishing or accepting deeds or other instruments stated in the followings within the territory of the People’s Republic of China shall pay stamp tax in accordance with the provisions of the relevant Regulations:

1. contracts or other deeds and instruments in the nature of contracts of purchases and sales, processing, construction projects, lease of property, cargo transportation, storage and warehousing, loans, property insurance and technology contracts;

2. deeds of transfers of proprietary rights;

3. business account books;

4. certificates of rights and licenses; and

5. other documents specified as taxable by the Ministry of Finance.

**Laws and Regulations in relation to Advertising**

The Advertising Law of the PRC (《中华人民共和国广告法》), which was promulgated on 27 October 1994 and became effective on 1 February 1995, requires an advertisement to provide definite and clear specifications, place of origin, purposes, quality, price, manufacturer, validity period or commitment, where any, of the commodities advertised or the contents, form, quality, price or commitment, where any, of the services advertised. Advertisers shall entrust the designing, production and publishing of advertisements to advertising agents and publishers that have the statutory business qualifications. The commodities or services advertised shall be fully covered in the business scope of the advertisers, regardless of whether the advertisement is designed, produced and published by the advertiser on its own or through entrusting of the advertisers. Where the publishing of an advertisement violates the Advertising Law of the PRC, the advertiser shall bear civil and/or administrative responsibilities including stopping the publication, making public rectification, and paying for fine, etc. Where the violation constitutes a criminal offense, the offender shall be prosecuted for criminal responsibilities.

According to our approved business scope in the PRC and our existing operation in the PRC, we are not involved in the provision of services as governed under the Advertising Law of the PRC during the Track Record Period. We will comply with the Advertising Law of the PRC in the future in relation to our future advertising activities, if any, in China.
Laws and Regulations in relation to Labour Matters

The PRC Labour Contract Law (《中华人民共和国劳动合同法》), which was adopted on 29 June 2007 and became effective on 1 January 2008, imposes certain requirements in respect of human resources management, including, among other things, signing labour contracts with employees, terminating labour contracts, paying remuneration and compensation and making social insurance contributions. In addition, the PRC Labour Contract Law requires employers to provide remuneration packages which are not lower than the relevant local minimum standards.

The PRC Employment Promotion Law (《中华人民共和国就业促进法》), which was adopted on 30 August 2007 and became effective on 1 January 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

The Regulations on Paid Annual Leave for Employees (《职工带薪年休假条例》), which became effective on 1 January 2008, provides that employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees’ length of service. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

The Regulation on Work-Related Injury Insurance (《工伤保险条例》), which became effective on 1 January 2004 and was amended on 30 December 2010, requires employers to pay occupational injury insurance fees for their employees.

Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企业职工生育保险试行办法》), which became effective on 1 January 1995, employers must pay maternity insurance fees for their employees.

Under the Interim Regulations Concerning the Levy of Social Insurance Fees (《社会保险费征缴暂行条例》), which became effective on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (《社会保险登记管理暂行办法》), which were adopted on 19 March 1999, employers in the PRC must apply for social insurance registration with the local social insurance authorities and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Interim Procedures of Shanghai Municipality on the Comprehensive Insurance for Out-of-town Employees《上海市外来从业人员综合保险试行办法》 which was issued on 22 July 2002 and amended on 30 August 2004, employers in the administrative region of Shanghai must make contributions to the comprehensive insurance for its out-of-town employees. The insurance includes occupational injuries (or accidental injuries) insurance, hospitalization medical insurance and retirement pension.
According to the Regulation on Management of the Housing Fund (《住房公积金管理條例》), which became effective on 3 April 1999 and amended on 24 March 2002, enterprises in the PRC must register with the housing fund management centre and then maintain housing fund accounts with designated banks for their employees and contribute to the fund an amount not less than 5% of the employee’s average monthly salary in the previous year.

The PRC Social Insurance Law (《中華人民共和國社會保險法》), which was adopted on 28 October 2010 and became effective on 1 July 2011, requires that employers within the PRC shall subscribe and contribute to social insurance including the basic retirement pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, and maternity insurance. According to this law, employees who come from rural area shall participate in social insurance and foreigners working in the PRC may also participate in social insurance.

**GB Standards**

The PRC Standardization Law, which was promulgated on 29 December 1988 and became effective on 1 April 1989, requires that compulsory standards (GB standards) must be complied with for particular products as prescribed by such law. Set forth below are the material applicable GB standards for the current business of the Group in the PRC:

GB 4706.1-2005 Household and similar electrical appliances — Safety — Part 1: General requirements (《家用和類似用途電器的安全 第1部分：通用要求》) which was promulgated by AQSIQ and SAC on 26 August 2005 and implemented on 1 August 2006, is a compulsory technical standard which applies to household and similar electrical appliances with single-phase appliances voltage rating not exceeding 250V and those with other appliance voltage rating not exceeding 480V.

GB 4706.10-2008 Household and similar electrical appliances — Safety — Particular requirements for massage appliances (《家用和類似用途電器的安全按摩器具的特殊要求》) which was promulgated by AQSIQ and SAC on 15 December 2008 and implemented on 1 January 2010, is a compulsory technical standard which applies to household and similar electrical massage appliances with single-phase appliances voltage rating not exceeding 250V and those with other appliance voltage rating not exceeding 480V.