

REGULATORY FRAMEWORK

OVERVIEW

As at the Latest Practicable Date, our Group had established business presences in Hong Kong and in the PRC. Our Group is principally subject to the relevant laws and regulations in Hong Kong and in the PRC. This section sets out summaries of certain aspects of Hong Kong and PRC laws and regulations, which are relevant to our Group's operation and business.

HONG KONG

Our Company is incorporated under the laws of the Cayman Islands as an exempted company and has applied for the registration in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance. Our subsidiaries, PD (HK), PD Trading and IWC, are companies incorporated in Hong Kong under the Companies Ordinance. The Companies Ordinance, as supplemented by the common law and the rules of equity, therefore are applicable to our business operations in Hong Kong. Furthermore, we may also be subject to laws and regulations relating to intellectual property rights, amongst others, Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong), Patents Ordinance (Chapter 514 of the laws of Hong Kong), Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), Registered Designs Ordinance (Chapter 552 of the Laws of Hong Kong) and their respective subsidiary legislations. Our Group is also subject to tort laws relating to products liability as some of our customers are located in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we have not received any material claims from third parties in relation to the use of our products or third party liability in Hong Kong.

THE PRC

中華人民共和國外資企業法 (The Wholly Foreign-owned Enterprises Law of the PRC*) and 中華人民共和國外資企業法實施細則 (The Implementation Regulations on the Wholly Foreign-owned Enterprises Law*)

According to 中華人民共和國外資企業法 (the Wholly Foreign-owned Enterprises Law of the PRC*) (the "**Wholly Foreign-owned Enterprises Law**"), which was promulgated on 12 April 1986 by the National People's Congress and amended on 31 October 2000 by the Standing Committee of the National People's Congress, the investments, the profits, and other lawful rights and interests of a foreign investor are protected in the PRC. A foreign investor may remit abroad profits and other legal earnings from a wholly foreign-owned enterprise, as well as any remaining funds when the enterprise is liquidated.

According to 中華人民共和國外資企業法實施細則 (The Implementation Regulations on the Wholly Foreign-owned Enterprises Law*), which was promulgated on 12 December 1990 by the Ministry of Foreign Trade and Economic Cooperation and amended on 12 April 2001 by the State Council of the PRC, the articles of association of a wholly foreign-owned enterprise shall become effective upon the approval by the examining and approving authority and the same procedures shall apply whenever any amendments thereto are made. Any division, merger, or any significant change in the registered capital of a wholly foreign-owned enterprise shall be subject to approval by the examining and approving authority. A wholly foreign-owned enterprise shall engage a PRC qualified

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auditor for a capital verification report. Upon the approval by the examining and approving authority, registration of a wholly foreign-owned enterprise shall be filed with the Administrative Bureau for Industry and Commerce. Any increase or transfer of the registered capital of a wholly foreign-owned enterprise shall be subject to approval by the examining and approving authority. A wholly foreign-owned enterprise shall, in accordance with PRC laws and regulations and provisions of the financial authority, set up its own financial and accounting systems and submit them to the local financial and tax authorities for their records.

計算機軟件保護條例 (The Regulations on the Protection of Computer Software*) and 計算機軟件著作權登記辦法 (The Measures for the Registration of Computer Software Copyright*)

Pursuant to 計算機軟件保護條例 (The Regulations on the Protection of Computer Software*) which was promulgated by the State Council of the PRC on 20 December 2001 and became effective on 1 January 2002, software created by Chinese citizens, legal persons or other organizations shall have copyright, regardless of whether or not it is published. The copyright in the software shall be commenced from the date on which the software is created. For the software copyrights of legal persons, the term of protection for the software copyright is 50 years, ending on 31 December of the fiftieth year after the first publication of the software. Software copyright owners may obtain registration from the software registration agencies acknowledged by the copyright administrative department under the State Council. The registration certificate issued by the software registration agencies shall be the preliminary evidence for the registration.

Software copyrights could be licensed and transferred. In the case of technology development commission, the ownership of copyright in the software which is created under the commission of other persons shall be stipulated in a written contract by the commissioning and commissioned parties. In the absence of such a written contract or an explicit stipulation in the contract, the copyright in that software shall belong to the commissioned party.

Pursuant to the 計算機軟件著作權登記辦法 (The Measures for Registration of Computer Software Copyright*) promulgated by the State Bureau of Copyright on 20 February 2002, software copyright owners may follow registration procedures with the State Bureau of Copyright and obtain a Registration Certificate of Software Copyright, which is the prima facie proof of copyright ownership.

專利法 (The PRC Patent Law*) and the Implementation Rules for 專利法實施細則 (the Patent Law of the PRC*)

Pursuant to 專利法 (The PRC Patent Law*) and 專利法實施細則 (The Implementation Rules for the Patent Law of the PRC*), patent rights include inventions, utility models and designs. The State Intellectual Property Office under the State Council accepts and examines patent applications and grants patent rights in accordance with law.

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Any invention or utility model for which a patent right may be granted must possess the characteristics of novelty, inventiveness and usefulness. Any design for which patent right is to be granted shall possess the characteristic of novelty and with a clear difference from the well-known design, and shall not be in conflict with any prior legal rights of any other person.

After the grant of the patent right for an invention or utility model, no entity or individual may, without the authorization of the patentee, exploit the patent, which means, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purposes, except where otherwise provided for in the PRC. After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, exploit the design, which means, make, offer to sell, sell or import the product incorporating its or his patented design, for production or business purposes.

財政部、國家稅務總局關於貫徹落實《中共中央、國務院關於加強技術創新，發展高科技，實現產業化的決定》有關稅收問題的通知(財稅字(1999) 273號) (**The Circular of the Ministry of Finance and the State Administration of Taxation on Tax Issues Related to the Implementation of the Decision of the CPC Central Committee and State Council on Strengthening Technical Innovation, Development of High-tech and Realization of Its Industrialization***)

Pursuant to 財政部、國家稅務總局關於貫徹落實《中共中央、國務院關於加強技術創新，發展高科技，實現產業化的決定》有關稅收問題的通知(財稅字(1999) 273號) (**The Circular of the Ministry of Finance and the State Administration of Taxation on Tax Issues Related to the Implementation of the Decision of the CPC Central Committee and State Council on Strengthening Technical Innovation, Development of High-tech and Realization of Its Industrialization***) issued on 2 November 1999, the turnover tax is exempted with respect to the income sourced from the business of technical transfer, technical development and relevant technical consultancy and technical service. Such tax preference is applicable to all entities and individuals including foreign investment enterprises.

對外貿易經營者備案登記辦法及相關規定 (**The Rules for Filing and Registration Procedures of Foreign Trade Operators and other related regulations***) and 商務部關於進一步下放對外貿易經營者備案登記工作有關問題的通知 (**the Notice on Relevant Issues Concerning Further Decentralizing the Archival Filing and Registration of Foreign Trade Operators issued by MOFCOM***)

According to 對外貿易經營者備案登記辦法及相關規定 (**The Rules for Filing and Registration Procedures of Foreign Trade Operators and other related regulations***) (Promulgated by the Ministry of Commerce on 25 June 2004 and become effective as of 1 July 2004), foreign trade operators that engage in the import and export of goods or technology shall complete the filing and registration procedures with the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") or an authority entrusted

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by MOFCOM. The filing and registration authority shall handle the filing and registration procedures and affix the filing and registration seal on the registration form within five days after the date of receipt of the relevant full set of materials submitted by the foreign trade operator. A foreign trade operator shall not forge, falsify, alter, lease out, lend out, assign or sell any registration form.

According to 商務部關於進一步下放對外貿易經營者備案登記工作有關問題的通知 (The Notice on Relevant Issues Concerning Further Decentralizing the Archival Filing and Registration of Foreign Trade Operators issued by MOFCOM*) (Promulgated by MOFCOM on 23 January 2009 and become effective on the same date), in order to promote a stable increase of the export, it is requested that the provincial commerce departments (including the Autonomous Regions and the Municipalities directly under the Central Government), which have not appointed the commerce departments of Prefectural-Level city to handle the filing and registration procedures of foreign trade operators, shall study and convey the relevant documents further, study the applications of the commerce departments of Prefectural-Level city in time, and presents the list of eligible applications to MOFCOM. MOFCOM will review and approve the applications and notify the local commerce departments in time.

國務院辦公廳關於促進服務外包產業發展問題的復函 (Reply of the General Office of the State Council on Issues Concerning Promoting the Development of the Services Outsourcing Industry*)

According to 國務院辦公廳關於促進服務外包產業發展問題的復函 (Reply of the General Office of the State Council on Issues Concerning Promoting the Development of the Service Outsourcing Industry*) (Promulgated on 15 January 2009 and become effective on the same date), 20 cities including but not limited to Beijing, Shanghai, Dalian and Shenzhen were listed as China's service outsourcing model cities to further undertake the international service outsourcing business and to promote the development of the service outsourcing industry. Among others, the following policies were adopted in the abovementioned cities:

1. From January 1, 2009 until December 31, 2013, for a qualified technologically advanced service enterprise outsourcing, corporate income tax will be reduced at the rate of 15%, and the educational costs of its employees that do not exceed 8% of the total sum of employees' salaries are to be deducted before corporate income tax. The turnover tax is exempted with regarding to out-shore service outsourcing of technologically advanced service enterprise.
2. For the service outsourcing enterprises using advanced technology which are eligible and conforming the administrative standard of employment, in some work positions of which the standard working hours system can not be executed due to the characteristics of the work, the special working hours system can be executed after having obtained the approval of the local provincial human resources and social security department is obtained.
3. Encouraging the governments and enterprises to outsource data processing and the other businesses which are not confidential to the professional enterprises by purchasing services and other methods.

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4. To set up and improve the customs clearance system suitable for the characteristic of the service outsourcing industry, and provide relevant convenience for the customs clearance.

軟件產品管理辦法 (Administrative Measures for Software Products*)

According to 軟件產品管理辦法 (Administrative Measures for Software Products*) (Promulgated by the Ministry of Industry and Information Technology on 1 March 2009 and become effective as of 10 April 2009), the developing, producing, selling, importing and exporting activities of the software products shall comply with the related law, regulations and standards. It is banned for any unit or individual to develop, produce, sell, import or export software products with contents of the following:

1. violating the intellectual property rights of others;
2. carrying computer virus;
3. endangering the computer system;
4. not meeting the software standard specifications in China; and
5. carrying contents forbidden by the law and the administrative regulations in the PRC.

As confirmed by King & Wood PRC Lawyers, our legal advisors as to PRC law, based on the relevant certificates issued by the relevant PRC authorities, our only subsidiary incorporated in the PRC, PD Shenzhen, has complied with all the relevant PRC regulatory requirements and obtained all relevant PRC permits/licenses for its operations.

To ensure ongoing compliance with the relevant PRC regulatory requirements, we have adopted the following measures, among others:

- (1) We have assigned an in-house legal counsel to monitor both current and newly promulgated PRC laws and regulations applicable to PD Shenzhen and the operation of our Group in the PRC;
- (2) PD Shenzhen has assigned specific personnel in charge of affairs relating to the intellectual property of PD Shenzhen and responsible for obtaining, maintaining and reviewing the permits and licenses issued or to be issued to PD Shenzhen; and
- (3) PD Shenzhen will consult external PRC legal counsel for further advice on PRC law, where appropriate.

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OTHER JURISDICTIONS

As at the Latest Practicable Date, members of our Group had registered certain patents in the US and the EU. We are therefore subject to the laws and regulations relating to intellectual property rights in such jurisdictions. Furthermore, we may also be subject to the laws and regulations relating to products liability in those geographical regions where we also export our products, including but not limited to Europe and the US. During the Track Record Period and up to the Latest Practicable Date, we have not received any material claims from third parties in relation to the use of our products or third party liability in these jurisdictions.