We are subject to a wide range of governmental laws and regulations in the PRC. Set out below is a summary of the relevant laws and regulations that have significant impact on our operations, which is prepared with the objective to provide potential investors with a brief overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this prospectus, which may be subject to change.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS

General

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries ((2015 Revision)(《外商投資產業指導目錄(2015年修訂)》)(the "**Foreign Investment Catalogue**") jointly promulgated by MOFCOM and NDRC on 10 March 2015 and effective as at 10 April 2015, electronic manufacturing industry is categorised as permitted category for foreign investment and according to the Foreign Investment Catalogue, WFOEs manufacturing electronic information product are permitted.

At present, there is no specific governmental organisation that is responsible for administering the daily operation of the electronic manufacturing industry in the PRC. Instead, the daily operation of the electronic manufacturing industry is administered by different governmental departments, which mainly include (i) the AQSIQ and its local branches, (ii) the SAIC and its local branches, and (iii) the MIIT and its local branches.

Product Quality Law of the PRC

The quality of products in the PRC is governed by the Product Quality Law of the PRC (《中華人民共和國產品質量法》)(the "**Product Quality Law**"), whose amendments were promulgated by the Standing Committee on 8 July 2000 and came into effect on 1 September 2000 with the aim of regulating the supervision of product quality as well as setting out the liabilities for non-compliance of the regulation.

(i) System for Product Quality Management

According to the Product Quality Law, all producers and sellers shall have in place proper set of internal regulations concerning the management of product quality, post-oriented quality regulations, liabilities and measures for the assessment of the quality of products.

(ii) System for Voluntary Certification of Enterprise Quality Control System

Pursuant to the Product Quality Law, the State shall set up a system for certifying quality control system of business enterprises based on the quality control standards commonly accepted internationally. Business enterprises may voluntarily apply for certification of their quality control systems with the certification organisations recognised by the product quality supervision departments under the State Council or by the departments which are authorised by the product quality supervision departments under the State Council. Certificates for quality control systems shall be issued to enterprises which pass the certification.

Production Safety Law

The Production Safety Law of the PRC (《中華人民共和國安全生產法》)(the "**Production Safety Law**") was promulgated by the Standing Committee on 29 June 2002, revised on 31 August 2014 and became effective on 1 December 2014. This law is applicable to entities that are involved in the production and business operation activities in the PRC. The production safety conditions of the production and business operation entities shall satisfy the requirements set out in the Production Safety Law and other relevant laws, administrative regulations, national standards or industrial standards. Any entity whose production safety conditions do not meet the above requirements may not engage in production and business operation activities. The production and business operation entities shall educate and train employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and the rules for safe operation, master the skills of safe operation in their own positions, understand the emergency measures, and know their own rights and duties in terms of production safety. Employees who fail the education and training programmes on production safety may not commence working in their positions.

Furthermore, the design, manufacturing, installation, using, checking, maintenance, reforming and safe disposal of useful safety equipment shall also be in conformity with the national standards or industrial standards. The production and business operation entities shall also provide labour protection articles that meet the industrial standards or national standards to their employees as well as supervise and educate them to wear and use the articles in accordance with the usage rules.

System on Declaration Registration

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the NPC on 22 January 1987 and amended on 8 July 2000, 9 June 2013 and 28 December 2013 by the NPC, consignors or consignees of imported or exported goods or declaration enterprises shall register with the Customs according to law, in order to complete the declaration procedure. In the absence of registration with the Customs, conducting declaration business is forbidden. Declaration enterprises and declaration personnel may not illegally act as an agent of others and declare, or conduct declaration activities exceeding their business scope.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Wholly Foreign Owned Enterprise

The Law on WFOE of the PRC (《中華人民共和國外資企業法》)(the "**WFOE Law**"), was promulgated by the NPC on 12 April 1986 and was amended by the Standing Committee on 31 October 2000. The Implementation Regulation of the WFOE Law (《中華人民共和國外資企業法實施細則》) was promulgated by the State Council on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 respectively.

According to the WFOE Law and its Implementation Regulation, the ratio between the registered capital of a WFOE and its total amount of investment shall be in conformity with the relevant regulations of the PRC. In addition, according to the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》) promulgated jointly by the MOF, the NDRC and the SAFE on 8 January 2003, the aggregated amount of the long-term loans, mid-term loans and the balance of the short-term loans of a WFOE shall be less than the difference between its registered capital and total amount of investment authorised by the approval authority.

LAWS AND REGULATIONS RELATING TO LEASING

General

In accordance with the Law on the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), promulgated by the NPC on 5 July 1994 and amended on 30 August 2007 and 27 August 2009, the owner of a building as a lessor is entitled to lease his building to a lessee and receive rents from the lessee, and the lessor and lessee should conclude a written lease contract and agree on terms and conditions such as the term, purpose, rents and responsibility for maintenance and repair, etc. as well as other rights and obligations of both parties. The written lease contract shall be registered with the real estate administration department.

Lease of Real Estate

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Real Estate (《商品房屋租賃管理辦法》) promulgated by MOHURD on 1 December 2010 and effective as at 1 February 2011, the parties to a lease of a real estate are required to enter into a lease contract in writing. When a lease contract is signed, amended or terminated, the parties must register the details in 30 days with the real estate administration authority in the place in which the building is situated, otherwise, a maximum penalty of RMB10,000 may be imposed for non-registration of each lease.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014 by the Standing Committee, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other harm caused to the environment by waste gas, wastewater, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, ray radiation, and electromagnetic radiation generated in the course of production, construction or other activities and entities that discharge pollutants must register with the relevant environmental protection authorities, and any violation of Environmental Protection Law may give rise to much more stringent punishment than ever before.

On 29 November 1998, the State Council promulgated the Regulations on the Administration of Environmental Protection of Construction Project (《建設項目環境保護管理條例》). On 28 October 2002, the Standing Committee promulgated the Law on Appraising of Environment Impact of the PRC (《中華人民共和國環境影響評價法》) which became effective on 1 September 2003. According to the aforesaid laws, the construction units responsible for the construction projects must submit corresponding environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval; where the construction project is governed by an industrial authority, the environmental impact appraisal documents shall be pre-reviewed by the industrial authority before submitting to the competent administrative department of environment protection for examination and approval. If the construction units fail to submit the aforesaid environmental impact appraisal documents according to the applicable PRC laws and regulations, or if the documents are not approved after examination by the relevant administrative departments, the departments responsible for examination and approving the relevant construction projects shall not approve such projects and the construction units shall not commence the construction. Meanwhile, the environmental protection facilities for the pollution prevention and control at a construction project shall be designed, built and commissioned together with the main part. No permission shall be given for a construction project to be commissioned until its installations for (the prevention and control of pollution) are examined and assessed to be up to standard by the relevant administrative department of the environmental protection that is responsible for examining and approving the environmental impact statement of the applicant.

Under the amended Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated on 30 October 1995 and last amended on 24 April 2015, entities and individuals that collect, store, transport, utilise or dispose of solid waste must take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures to prevent such solid waste from polluting the environment.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

In 2007, the PRC Government adopted the EIT Law and the EIT Rules, both of which became effective on 1 January 2008. The EIT Law provides that all enterprises in the PRC, including FIEs, are generally subject to a uniform 25.0% enterprise income tax rate.

The EIT Law also provides that enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to the uniform 25.0% enterprise income tax rate as to their worldwide income. Under the EIT Rules, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and real estate of an enterprise. On 22 April 2009, the SAT promulgated the Circular on Identification of China-controlled Overseas-registered Enterprises as Resident Enterprises on the Basis of Actual Management Organisation (《國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) with retroactive effect from 1 January 2008, to further provide certain specific criteria for determining whether the "de facto management bodies" for enterprises incorporated overseas with controlling shareholders that are PRC enterprises are located in the PRC. The criteria include whether (i) the premises where the senior management and the senior management bodies responsible for the routine production and business management of the enterprise perform their functions are mainly located within the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, since there have been no official implementing rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by the PRC enterprises (including companies like ourselves), there remains uncertainty on how the "de facto management body" test would be applied in our case.

Under the EIT Law and the EIT Rules issued by the State Council, the PRC income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. A lower income tax rate of 5.0% is applied if the "non-resident enterprises" are registered in Hong Kong or other jurisdiction that have a tax treaty arrangement with China and such "non-resident enterprises" are deemed as "beneficial owners" to those dividends under such tax treaty and the competent PRC taxation authority has approved the application of such beneficial tax rate. On 27 October 2009, the SAT promulgated the Circular on How to Understand and Recognise the "Beneficial Owner" in Tax Treaties (《國家税務總局關於如何理解和認定税收協定中「受益所有人」的通知》)(the "**Circular 601**"). Circular 601 clarifies that a beneficial owner is a person

having actual operation and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a "conduit company," which is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management, from being a beneficial owner. On 29 June 2012, the SAT promulgated the Announcement of the State Administration of Taxation on the Determination of "Beneficial Owners" in Tax Treaties (《國家税務總局關於認定税收協定中「受益所有人」的公告》) which further clarifies the explanation and implementation of Circular 601.

In addition, any gain realised on the transfer of equity or shares by foreign enterprise is also subject to the PRC enterprise income tax at a rate of 10.0% if such gain is regarded as income derived from sources within the PRC. On 10 December 2009, the SAT issued the Circular 698, which became effective retroactively as at 1 January 2008 and was amended on 12 December 2013. Under Circular 698, where a non-PRC resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company (excluding buying and selling shares of a PRC resident enterprise on a public stock exchange) (the "**Indirect Transfer**"), the non-resident enterprise, being the transferor, shall report this Indirect Transfer to the competent tax authorities for the PRC resident enterprise. As a result, gains derived from such Indirect Transfer may be subject to the PRC withholding tax at a rate of up to 10%. In addition, Circular 698 provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant PRC tax authorities can, at their discretion, make a reasonable adjustment to the taxable income of the transaction. On 3 February 2015, the SAT issued the Announcement 7. Announcement 7 has broadened the scope of the Indirect Transfer under Circular 698 to non-resident enterprises' indirect transfer of (i) the assets of an "establishment or place" situated in the PRC; (ii) real property situated in the PRC; and (iii) equity interest in Chinese resident enterprises. Unlike Circular 698 which requires the transferor to report the Indirect Transfer to the relevant tax authority, under the Announcement 7, both the transferor and the transferee of an Indirect Transfer, and the target PRC resident enterprise, may voluntarily report the transfer by submitting a standard set of documents to the relevant tax authority. Voluntary reporting by the transferor will exempt it from the additional 5% punitive interest levy. The Announcement 7 has also elaborated on how to determine that an Indirect Transfer has "a reasonable commercial purpose" and specified the legal consequences for failing to withhold and pay tax.

Value Added Tax

Pursuant to the Interim Regulation on the VAT of the PRC (《中華人民共和國增值税暫行條例》) amended on 10 November 2008 and became effective on 1 January 2009, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing services, repair and replacement services and the importation of goods are required to pay VAT as prescribed by this regulation. Except for those listed in the above regulation, any VAT exemption and reduction shall be prescribed by the State Council.

Pursuant to the Notice of the MOF and the SAT on VAT and Consumption Tax Policies for Exported Goods and Labour Services (《財政部、國家税務總局關於出口貨物勞務增值税和消費税政策的通知》) which was promulgated on 25 May 2012 with retroactive effect from on 1 January 2011, VAT exemption and VAT redemption policies apply to goods exported by export enterprises.

Stamp Duty

Pursuant to the Provisional Rules on the Stamp Duty of the PRC (《中華人民共和國印花税暫行條例》)(the "**Stamp Duty Rules**"), which was promulgated on 6 August 1988 and became effective on 1 October 1988, and amended on 8 January 2011, all businesses and individuals who conclude or receive any of the documents listed in Stamp Duty Rules are taxpayers to the stamp duty and shall pay stamp duty according to the Stamp Duty Rules. Documents which shall be regarded as taxable documents are (i) documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; (ii) documents relating to the transfer of property title; (iii) business books of account; (iv) documentation of rights or licenses; (v) other documents determined by the MOF to be taxable.

Transfer Pricing Adjustments

Hong Kong

Pursuant to Section 20(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"), a non-resident person shall be liable to Hong Kong profits tax where it carries on business with a closely connected resident person and such business is so arranged that it produces to the resident person either no profits which arise in or derive from Hong Kong or less than the ordinary profits which might be expected to arise in or derive from Hong Kong.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The Departmental Interpretation and Practice Notes No. 45-Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC).

The PRC

Pursuant to the EIT Law, the EIT Rules and the Implementation Regulations for Special Tax Adjustments (Trial)(《特別納稅調整實施辦法(試行)》)(the "**STA Rules**"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. According to the EIT Law, EIT Rules and STA Rules, related party transactions should comply with the arm's length principle (獨立交易原則) and if the related party transactions fail to comply with the arm's length principle results in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing further contemporaneous documents report (同期資料): (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are involved in the performance of arrangements for advance pricing; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties. However, according to the Notice of the State Administration of Taxation on Strengthening the Monitoring and Investigation of Transnational Affiliated Transactions (《國家税務總局關於強化跨境關聯交易監控和調查的通知》)(Letter No. 363 [2009] of the SAT), if a PRC enterprise, which is established by a foreign entity and undertakes the mere function of production (processing with supplied or imported materials), distribution, contractual research and development or any other limited function and bears the risks relating thereto, encounters a loss, then no matter such PRC enterprise meets related party transaction thresholds mentioned above or

not, it would need to prepare the relevant information and file the same with the relevant tax authority before 20 June of the subsequent year. Except as otherwise stipulated by the STA Rules, enterprises should complete the preparation of contemporaneous documents for the current year before 31 May of the following year and submit the documents within 20 days upon request from tax authorities.

LAWS AND REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Under the amended Foreign Exchange Administration Rules of the PRC ((2008 Revision) (《中華人民共和國外匯管理條例(2008修訂)》) promulgated by the State Council, which was promulgated and came into effect on 5 August 2008, RMB is freely convertible for current account items, including transaction items in the balance of payment involving goods, services, incomes and current transfers. Conversion of RMB for capital account items, such as capital transfer, direct investment, securities investment. derivative products, and loans, however, is still generally subject to the approval or verification of the SAFE. On 13 February 2015, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), which came into force on 1 June 2015. Circular 13 cancels certain administrative approval procedures relating to the domestic and overseas direct investment in certain districts, and the foreign exchange registration for domestic direct investment shall be directly reviewed and handled by qualified banks.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), pursuant to which, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100%. The SAFE also has the right to adjust the aforementioned proportion in due time based on the situation of international balance of payments.

On 4 July 2014, the SAFE promulgated the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)(the "**SAFE Circular No. 37**"). The SAFE Circular No. 37 applies to PRC residents, including both PRC institutions and PRC individual residents (collectively the "**PRC Resident**"), who engage in offshore investment and financing and reverse investment activities via special purpose vehicles (the "**SPV**"). An SPV is an overseas enterprise which is directly established or indirectly controlled by a PRC Resident for the purposes of investment and financing with its lawful domestic enterprise assets or interests, or its lawful overseas assets or interests. Reverse investment is referred to the direct investment activities of a PRC Resident directly or indirectly via an SPV, i.e. establishing foreign-invested enterprises or projects within the territory of the PRC by ways such as newly establishment or mergers and acquisitions, etc., and the activities of obtaining interests such as ownership, control, operation management, etc.

Pursuant to the SAFE Circular No. 37, (a) a PRC Resident must register with the local SAFE branch before contributing assets or equity interests in an SPV, that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the SPV, including a change in the SPV's PRC Resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital, share transfer or swap, merger or division and so on, or other similar significant change development. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties. If a non-listed SPV grants equity-based incentives to its directors, supervisors, senior officers in the domestic enterprise directly or indirectly controlled by it, as well as other employees in employment or labour relations with the company by using the company's stock rights or options, the relevant domestic individual residents may apply for going through foreign exchange registration of a SPV before exercising its rights.

LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

The Labour Law (《中華人民共和國勞動法》) was promulgated by the Standing Committee on 5 July 1994 and became effective on 1 January 1995 and was revised on 27 August 2009. PRC Labour Contract Law was promulgated by the NPC on 29 June 2007 and became effective on 1 January 2008, and was amended on 28 December 2012, which has taken effect on 1 July 2013. The Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) were promulgated by the State Council and became effective on 18 September 2008. The aforesaid laws and their implementing regulations govern the establishment of employment relationships between employers and employees, as well as the conclusion, performance, termination and amendment of employment contracts. To establish an employment relationship, a written employment contract must be signed. In the event that no written employment contract is signed at the time of the establishment of an employment relationship, a written employment contract must be signed within one month from the date on which the employer first engages the employee.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, Several Provisions on Implementation of the Social Insurance Law of the PRC (《實施《中華人民共和國社會保險法》若干規定》), which were promulgated by the MOHRSS on 29 June 2011 and became effective on 1 July 2011, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which were promulgated by the State Council and became effective on 3 April 1999 and were amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident funds. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to rectify the deficit within a stipulated time limit. As to the outstanding social insurance payment, a daily surcharge of 0.05% on any delinquent payments may be imposed on it. If a company fails to make such payments within the stipulated time limited, it may be liable to a fine equal to one to three times the amount of outstanding contributions. In the event that our Company fails to undertake deposit registration or fail to open housing provident fund accounts for our staff within the time period specified by the relevant PRC authorities, our Company may be subject to a fine ranging from RMB10,000 to RMB50,000. If our Company fails to pay housing provident fund within the time period specified by the relevant PRC authorities, such relevant PRC authorities may apply to court for compulsory execution.

LAWS AND REGULATIONS RELATING TO OUR SALES IN KOREA

Use of Third-Party Agent in Korea

The Korean Commercial Code (the "**KCC**") governs certain aspects of contractual arrangements with a third-party agent in Korea. In particular, the KCC includes provisions for statutory compensation in the case of third-party agents falling within the category of "commercial agents", which act as brokers or finders for a merchant, primarily by procuring customers. In case of termination of an agreement with a commercial agent, provided that termination is not due to reasons attributable to the commercial agent, the commercial agent is entitled to request a reasonable amount of compensation from the seller, in addition to and independent of the commissions payable pursuant to, and during the term of, the agreement with the seller, if the seller earns profits owing to new customers procured, or a substantial increase in transactions achieved, by the commercial agent. The KCC does not stipulate a specific formula for calculation of such compensation, but provides that the compensation must be reasonable and that it may not exceed the commercial agent's average yearly remuneration in respect of the period of the five years (or, if the contract duration is less than five years, the entire period) preceding termination.

Under the KCC, a commercial agent is, as such, subject to certain duties. Among these, when a commercial agent procures a customer or transaction for the seller, the commercial agent is (unless otherwise agreed) required to immediately notify this to the seller. A commercial agent must preserve the seller's trade secrets of which the commercial agent has become aware in connection with its agreement with the seller, including after termination of the agreement.

Under the KCC, an agency agreement with a commercial agent, even if for a fixed term, may be terminated at any time by either party upon the occurrence of unavoidable circumstances. In case of an agency agreement without a fixed term, the relationship may be terminated by either party at any time with two months' prior notice to the other party.

If a commercial agent is authorised by the seller to represent the seller in connection with the sale of the products, representations and other undertakings (if any) that are communicated by such commercial agent in respect of the products may be deemed enforceable against the seller, under the KCC and the Korean Civil Code, regardless of whether or not the commercial agent represents that it is giving such representation and undertakings on behalf of the seller.

Product Liability Laws of Korea

The Product Liability Act of Korea (the "**PLA**") applies to a manufacturer, a process manufacturer or an importer of a product, or to any entity that identifies or represents itself as any of the foregoing by putting its name, business name, trademark or any distinguishing mark on a product (the "**Manufacturer**"). Under the PLA, product defects are presumed to be attributable to the Manufacturer (or, alternatively, a supplier, in certain situations where the Manufacturer cannot be identified), which is then liable for any direct or indirect injury or damage to life, body or property caused by the defective product. Where there are two or more entities liable under the PLA, the liability of those entities is joint and not several. Liability on the part of any one Manufacturer may be exempted where it can demonstrate any of the following: (i) the defective product was not supplied by it; (ii) the existence of the defect could not be identified considering the level of science or technology developed at the time it supplied the defective product; (iii) the defect is attributable to the Manufacturer's compliance with legally prescribed standards at the time of supply; or (iv) the defect is attributable to a design or manufacturing instruction from another Manufacturer that used the product as a raw material or component. The statute of limitations for damages under the PLA is three years from the day on which the damage came to the knowledge of the damaged/injured party, or ten years from the day on which the defective product was supplied to the injured/damaged party (or ten years from the date an individual develops an illness owing to accumulation of substances in the body). The PLA will supersede any contractual terms purporting to limit the scope of liability under the statute, except that liability for property damage may be excluded by agreement on the part of an entity that uses the product for its own business.