

REGULATIONS

We are subject to various laws and regulations of the PRC that are material to our operations and are discussed below.

LAWS AND REGULATIONS OF THE PRC

Foreign Investment

Companies with limited liability and joint stock limited companies established in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》, the “Company Law”, promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993, which became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively). Foreign invested companies are also subject to the Company Law, except as otherwise provided in the foreign investment laws including Foreign-invested Enterprise Law of PRC (《中華人民共和國外資企業法》), Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》) and Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》).

Investments in the PRC by foreign investors are regulated by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》, the “Catalog”), the latest version of which was promulgated by the National Development and Reform Commission (the “NDRC”) and the Ministry of Commerce (the “MOFCOM”) on March 10, 2015 and became effective on April 10, 2015. The Catalog has been a longstanding tool used by policymakers of the PRC to manage direct foreign investment. The Catalog is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalog shall be categorized as the permitted industries for foreign investment.

Bio-industry

To promote the development of bio-industry, the PRC government has promulgated a series of industry policies in recent years. The General Office of the State Council promulgated the Circular on Forwarding the “Eleventh Five-Year” Plan of the NDRC for Bio-industry Development (《關於轉發發展改革委生物產業發展“十一五”規劃的通知》, 國辦發[2007]23號) and the Circular on Printing and Issuing Certain Policies for Promotion of Accelerated Development of Bio-industry (《關於印發促進生物產業加快發展若干政策的通知》), respectively on April 8, 2007 and June 2, 2009, clearly indicating that accelerating the development of Bio-industry is a major initiative for China to grasp the strategic opportunity of the revolution of new scientific technology and to build an innovation-oriented country in an all-round way in the new century.

On November 14, 2011, the Ministry of Science and Technology promulgated the Circular on Printing and Issuing the Twelfth Five-Year Plan for the Development of Biotechnology (《關於印發“十二五”生物技術發展規劃的通知》), requesting breakthroughs of the core technologies including but not limited to:

- (1) “Omics” Technology: taking the development of the new-generation sequencing technology as a starting point to achieve leaping development of biotechnology in the PRC and driving the rapid development of various omics technologies including without limitation genome technologies, transcriptome technologies, proteome technologies, metabolome technologies, epigenome technologies and structural genome technologies; and developing technologies of

REGULATIONS

data analysis and text mining of high-throughput biomedicine, high-throughput sample analysis, micro-sample extraction and amplification, mass data analysis etc., and expediting the application of omics technologies and biology information technologies in the field of disease prevention and control, clinical diagnosis and treatment, bio-manufacturing, breed creation, new pharmaceutical development, etc.

- (2) Synthetic biology technology: developing high-throughput and low-cost DNA synthetic technology, technology of efficient assembly of gene segment, technologies of analyzing structure and function of protein, directed design and synthesis, structuring technologies of standardized biological components and functional modules, establishing applied technologies of synthetic biology in terms of precursor and intermediate of drugs, bio-energy, bio-based chemicals, etc. and gradually exploring application of synthetic biology in the field of medicine and energy.

On December 29, 2012, the State Council promulgated the Circular of the State Council on Printing and Issuing the Development Plan for Bio-industry (《國務院關於印發生物產業發展規劃的通知》), clearly indicating that bio-industry is identified as a strategic emerging industry in China. The circular requires active improvement of specialized service capability of public technologies, acceleration of intensive development of high-end experimental instruments, biological reagents and experimental animals, implementation of action plans for biological information services and support for enterprises providing specialized services such as gene sequencing, analytical test and biological information. The circular also requires fostering extended services of bio-industry and developing new services including health management, translational medicine, cell therapy, gene therapy, socialization of clinical examination, individualized healthcare, etc.

Taxation

Income Tax

Because we carry out our PRC business operations through operating subsidiaries organized under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations, which indirectly affect your [REDACTED] in our [REDACTED].

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “EIT Law”) promulgated by the National People’s Congress on March 16, 2007, which became effective from January 1, 2008, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing from January 1, 2008 with certain exceptions. For example, on November 5, 2010, the State Administration of Taxation (the “SAT”), the Ministry of Finance (the “MOF”), the MOFCOM, the Ministry of Science and Technology (the “MST”) and the NDRC jointly promulgated the Notice on the Relevant Enterprise Income Tax Policies on Advanced Technology Service Enterprises (《關於技術先進型服務企業有關企業所得稅政策問題的通知》, the “Notice 65”), with retroactive effect from July 1, 2010. Under Notice 65, enterprises in certain cities that are qualified as “advanced technology service enterprises” are entitled to enjoy the enterprise income tax rate of 15% from July 1, 2010 to December 31, 2013. On October 8, 2014, the above authorities jointly released the Notice on the Perfection of Relevant Enterprise Income Tax Policies on Advanced Technology Service Enterprises (《關於完善技術先進型服務企業有關企業所得稅政策問題的通知》), which replaces Notice 65 and provides that the “advanced technology service enterprises” located in certain cities are continuously entitled to enjoy the preferential tax rate of 15% through December 31, 2018. Our subsidiaries, GS China and Nanjing Jinsikang are

REGULATIONS

qualified to enjoy the 15% preferential tax rate of enterprise income tax as an “advanced technology service enterprise” in fiscal years from January 1, 2012 to December 31, 2014.

In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the “EIT Implementation Rules”) on December 6, 2007, which became effective on January 1, 2008. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

Withholding Income Tax and Tax Treaties

The EIT Implementation Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that 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 are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation 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》, the “Double Tax Avoidance Arrangement”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and, based on the Circular on How to Interpret and Recognize the “Beneficial Owner” in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), issued on October 27, 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, amended on November 10, 2008 with the amendment becoming effective on January 1, 2009, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the

REGULATIONS

MOF and the SAT on December 25, 1993, amended on December 15, 2008 and October 28, 2011 respectively, the latest amendment of which became effective on November 1, 2011, sale of goods, provision of processing, repair and replacement services and import of goods within the PRC are subject to value-added tax and unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing, repairs and replacement services in China shall be 17%.

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》, the "Pilot Plan"). Since January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy an 11% or 6% VAT on revenue generated from certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain Modern Service Industries jointly issued by the MOF and SAT (《關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》, the "B2V Circular 37") issued by the MOF and SAT effective from August 1, 2013, such policy was implemented nationwide. On December 12, 2013, the MOF and the SAT released the Circular on the Inclusion of the Railway Transport and Postal Service Industries into the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》) and its appendices, which further expanded the scope of taxable services for value-added tax and has replaced the B2V Circular 37 since January 1, 2014.

Labor and Insurance

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide education regarding labor safety and sanitation to its employees. Employers shall provide employees with labor safety and sanitation conditions in compliance with the State rules and necessary protection materials, and carry out regular health examination for employees engaged in work involving occupational hazards.

Under applicable PRC laws, including the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on January 22, 1999, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010, becoming effective on January 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic

REGULATIONS

pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Laws on Prevention and Control of Occupational Diseases

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), effective as of May 1, 2002 and amended on December 31, 2011, for a construction project which may incur occupational disease hazards, the entity responsible for the construction project shall: (i) during the period of feasibility study, submit to the safety production administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is delivered after completion for inspection and acceptance; and (iii) provide facilities for the effective prevention and protection of occupational diseases. The prevention facilities may be put into formal operation and use only after they have passed the inspection conducted by the safety production administration department.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employer shall: (i) establish and improve the responsibility management system of occupational disease prevention and treatment, strengthen the administration of, and improve the capability of, occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases caused by it; (ii) contribute to occupational injury insurance; (iii) provide facilities for the effective prevention and protection of occupational diseases, and provide materials to employees for personal use against occupational diseases; (iv) provide alarm equipment, allocate on-spot emergency treatment materials, washing equipment, emergency safety exits and necessary safety zones for work places where acute occupational injuries are likely to take place due to poisonous and harmful elements therein; and (v) inform the employees of, and specify in the labor contracts with the employees the potential harm of, occupational disease as well as the consequences thereof, and the prevention and protection measures and treatment against occupational diseases when signing the labor contracts with employees.

Foreign Exchange

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the "Foreign Exchange Administrative Regulations"), promulgated by the State Council on January 29, 1996 and amended on August 5, 2008, constitute an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On June 20, 1996, People's Bank of China (the "PBOC") further promulgated the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the "Settlement Provisions").

Pursuant to the Foreign Exchange Administrative Regulations and the Settlement Provisions, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the State Administration of Foreign Exchange (the "SAFE") and/or its competent local counterparts is obtained.

Foreign-invested enterprises in the PRC may, without any approval from the SAFE and/or its competent local counterparts, purchase foreign exchange for dividend distribution, trade or services by providing certain documentary evidence (such as resolutions of the board of directors and certificates of tax payments).

REGULATIONS

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》, the “SAFE Circular 142”), regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. Under SAFE Circular 142, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《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 “SAFE Circular 19”), which came into force and superseded SAFE Circular 142 from June 1, 2015. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement at will. However, SAFE Circular 19 also reiterates that the settlement of foreign exchange shall only be used for purposes within the business scope of the foreign invested enterprises. Considering that SAFE Circular 19 is relatively new, it is unclear how it will be implemented and there exist high uncertainties with respect to its interpretation and implementation by authorities.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through 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 37”) on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《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 “SAFE Circular 13”), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, since the notice is relatively new, there exist high uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

REGULATIONS

Share Option Rules

Under the Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies issued by SAFE on February 15, 2012 (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》, the “Share Option Rules”), PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches; (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants; and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. However, there exist high uncertainties with respect to implementation by local SAFE branches and the practice may vary from place to place.

Intellectual Property

China is a party to several international conventions on intellectual property rights, including Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協議》), Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》), World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權公約》), Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協議》) and Patent Cooperation Treaty (《專利合作公約》).

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》, the “Patent Law”), promulgated by the SCNPC on March 12, 1984, amended on September 4, 1992, August 25, 2000 and December 27, 2008, and effective from October 1, 2009 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001 and latest amended on January 9, 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law.

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the “Trademark Law”), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001 and August 30, 2013 and effective from May 1, 2014, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall

REGULATIONS

go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Pursuant to the Administrative Measures for Internet Domain Names of the PRC (《中國互聯網絡域名管理辦法》) promulgated by the Ministry of Information Industry on November 5, 2004 and effective from December 20, 2004, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of “first come, first served” applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay corresponding fees as required, the original domain name registry shall deregister the relevant domain name and notify the holder of deregistration in written forms.

Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》, the “Product Quality Law”), promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000 and August 27, 2009 is the principal governing law to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) promulgated by the National People’s Congress on April 12, 1986, amended and became effective on August 27, 2009, both manufacturers and sellers shall be held liable where relevant defective products result in damage to property of others or bodily injuries.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the SCNPC on December 26, 2009 and became effective on July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

REGULATIONS

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and became effective on September 1, 2003, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council and became effective on November 29, 1998 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects can only be put into operation after the relevant environmental protection administrative authority has examined and approved the pollution prevention facilities. If necessary, and in accordance with relevant environmental protection regulations, construction projects may be put into trial production prior to final examination and acceptance of the pollution prevention facilities. Such trial production shall also be subject to the approval of the relevant environmental protection administrative authority. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions of the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities breaching environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut down of an enterprise or public institution. Fines could also be imposed together with these penalties.

The Law on Prevention and Control of Air Pollution

According to the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), effective on June 1, 1988 and amended on August 29, 1995 and April 29, 2000 respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. The Laws of the PRC on the Prevention and Control of Air Pollution was subsequently amended on August 29, 2015, which will become effective on January 1, 2016, providing that construction projects which have an impact on the atmosphere environment shall conduct the environment impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

The Law on Prevention and Control of Environmental Pollution by Solid Waste

The Law of PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), effective on April 1, 2005 and latest amended on April 24,

REGULATIONS

2015, stipulates that construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Facilities for the prevention and control of solid waste are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid waste have been inspected and accepted by the environmental protection administrative authorities.

The Law on the Prevention and Control of Water Pollution

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective on November 1, 1984 and amended on May 15, 1996 and February 28, 2008 respectively, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. No construction projects may be put into operation until the relevant environmental protection administrative authorities inspect and accept their water pollution prevention facilities.

Pollutant Discharge

The Environmental Protection Law of PRC stipulates that the government shall implement the pollutant emission license administration system. Pollutant discharge by enterprises, public institutions and other producers and business operators is subject to relevant pollutant emission license. The Environmental Protection Law of PRC requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its operations, and to establish an environmental protection responsibility management system. Effective measures to control and properly dispose of waste gas, waste water, waste residue, dust or other waste materials shall be adopted. Any entity operating a facility that discharges pollutants shall report to and register with the competent authority pursuant to applicable regulations. According to the Environmental Protection Law of PRC, in the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

The Law on Prevention and Control of Radioactive Pollution

According to the Law of PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) effective on October 1, 2003, any enterprise that uses radioisotope shall apply for a license and complete registration as required by relevant regulations. In addition, any enterprise that uses radioisotope shall, before applying for a license, prepare an environmental impact assessment document and submit it to the environmental administrative authorities for approval. The radiation protection facilities at the workplace of a construction project that releases radiation shall be designed, constructed and put into operation simultaneously with the main part of the project. The main part of the project may not be put into operation until the relevant environmental protection administrative authorities inspect and accept its radiation protection facilities.

State Scientific Research and Scientific Research Budget Management

Pursuant to the Notice on Issues Relating to the Application of Project Management System to State Scientific Research (《國務院辦公廳轉發科技部等部門關於國家科研計劃實施課題制管理規定的通

REGULATIONS

知》), promulgated by the General Office of the State Council and became effective on January 4, 2002, the State scientific research shall apply project management system. The system requires the project responsible person shall be responsible for the project, and shall enjoy the full autonomy within the approved work plan and budgets; the system also requires make clear project support unit, the unit shall have the essential conditions, effective scientific research management system, financial management system, asset management system and accounting system for the implementation of scientific research. Project responsible person shall implement the project budget strictly, and social units shall supervise all the expenditures of the subject.

Pursuant to the Several Opinions of the Ministry of Education and the Ministry of Finance on Further Strengthening the Administration on Scientific Research Funds of Colleges and Universities (《教育部、財政部關於進一步加強高校科研經費管理的若干意見》), promulgated by the Ministry of Education and the Ministry of Finance and became effective on June 26, 2005, the scientific research funds should be uniformly managed and assembly accounted by finance department of colleges and universities, and shall be spent in a predetermined purpose.

Pursuant to the Notice of the Ministry of Education on Further Implementing the State Administration Policies on Scientific Research Funds and Strengthening the Administration on Scientific Research Funds of Colleges and Universities (《教育部關於進一步貫徹執行國家科研經費管理政策加強高校科研經費管理的通知》), promulgated by the Ministry of Education and became effective on December 2, 2011, which requires the strictly enforcement of the state administration policies on scientific research funds, further strengthening the administration on scientific research funds of colleges and universities, and consummating the administration system on scientific research funds.

On December 17, 2012, the Ministry of Finance and Ministry of Education jointly promulgated the Circular on Strengthening the Administration on the Scientific Research Funds of Colleges and Universities Affiliated with Central Departments (《教育部、財政部關於加強中央部門所屬高校科研經費管理的意見》), which requires the establishment and perfection of the management and operation systems of scientific research funds and the improvement of the administration on and operation efficiency of the scientific research funds.

Regulation on Hazardous Chemicals

Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》, the “Hazardous Chemicals Regulation”) was promulgated by the State Council on January 26, 2002 and to amended on March 2, 2011 and December 7, 2013. The Hazardous Chemicals Regulations provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals. Without proper examination and approval, no enterprise or individual is allowed to produce or store hazardous chemicals. The renovation or expansion of an enterprise that produces hazardous chemicals is also subject to the approval formalities in accordance with the Hazardous Chemicals Regulation.

An enterprise that produces and stores hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

REGULATIONS

Administration Regulation on the Safety Supervision of Hazardous Chemicals Construction Projects

The Administration Regulation on the Safety Supervision of Hazardous Chemicals Construction Projects (《危險化學品建設項目安全監督管理辦法》), which was promulgated by the State Administration of Work Safety on January 30, 2012 and came into effect on April 1, 2012 and amended on May 27, 2015, stipulates that projects for the construction, renovation and expansion of facilities used in the production or storage of hazardous chemicals, as well as projects which generate hazardous chemicals, are subject to safety inspections, supervision and administration by competent regulatory authorities. Construction or operation of such projects shall not commence without requisite safety review is completed.

Overseas Investment

Pursuant to the Administrative Measures for Approval and Filing on Overseas Investment Projects (《境外投資項目核准和備案管理辦法》), which was promulgated by the NDRC on April 8, 2014 and amended on December 27, 2014, the State adopts approval administration and filing administration for overseas investment projects respectively according to different circumstances. An overseas investment project that involves any sensitive country or region or any sensitive industry is to be approved by the NDRC. Under the circumstances, with regard to an overseas investment project that has the Chinese party's investment amount of not less than USD 2 billion and involves any sensitive country or region or any sensitive industry, the NDRC is to put forward the examination and verification opinion thereon and report the same to the State Council for approval. Overseas investment projects other than those specified above are subject to filing administration.

Pursuant to the Measures on the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by the Ministry of Commerce on September 6, 2014 and became effective on October 6, 2014, overseas investments refer to possessing of non-financial enterprises abroad or acquisition of the ownership of, control over, business management right of, or other rights and interests of existing overseas non-financial enterprises by enterprises established in the PRC through newly establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries, regions or sensitive industries which are subject to approval administration, all other overseas investments are subject to filing.

Import and Export of Goods

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

REGULATIONS

Import and Export of Special Articles

According to the Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》), which became effective as of March 1, 2015, import or export of special medical articles, including biological products, microbes and blood must be inspected by the relevant inspection and quarantine authorities.

LAWS AND REGULATIONS OF THE UNITED STATES

This section summarizes selected key current law and regulations in the United States that are relevant to our business and operations.

Our Company has one wholly owned subsidiary in the United States, GS USA, which is a corporation formed under the laws of the State of Delaware. The Delaware General Corporation Law governs various corporate actions including formation and dissolution of for-profit Delaware corporations. GS USA is a Delaware for-profit corporation which is engaged in the manufacturing and sales of various life sciences research products and providing life sciences related services, including gene synthesis, sequencing, oligonucleotide synthesis and packaging of selected life sciences research catalog products, mainly to cater for urgent customer orders in the United States, as well as conduct marketing activities of our Group's services and products outside of Asia Pacific. GS USA operates a laboratory in the State of New Jersey. GS USA is thereby subject to the purview of various U.S. federal, state and local laws and regulations.

Overview of the U.S. Legal System

The U.S. legal system consists of federal, state and local laws and regulations. On the federal level, Congress passes legislation while the President approves the legislation which then becomes the law of the land. State and local government bodies also pass legislation which then become the law of that state or locality. The U.S. legal system is also comprised of a dual court system, one at the federal level and one at the state and local level. The U.S. legal system is also a common law system which puts a lot of emphasis on court precedent set out in formal adjudications. Additionally, there is a complicated system of interaction and checks and balances that takes place amongst the above listed entities.

Regulatory Matters in the United States

In the United States, various federal and state statutes and regulations and local ordinances govern, among other things, the production, research, development, testing, manufacture, quality control, labeling, storage, record keeping, approval, advertising and promotion, and distribution of chemicals and materials used in our Company's operations, including biological material, human tissue and serum. The failure to comply with applicable regulatory requirements may subject our Company to administrative and/or judicially imposed sanctions.

Various laws and regulations relating to safe working conditions, laboratory practices, and the generation, storage, transportation, import, export, use and disposal of hazardous or potentially hazardous substances, including medical waste, are or may be applicable to our Company's services, products and operations. The extent of government regulation that might result from future legislation or administrative action cannot accurately be predicted.

REGULATIONS

GS USA's laboratory operations include quality control practices and procedures. It seeks to comply with current U.S. National Institutes of Health Guidelines for Research Involving Recombinant DNA (the "NIH Guidelines").

GS USA uses hazardous materials, chemicals, human tissue and sera in its activities and may not be able to eliminate the risk of accidental contamination or injury from these materials. Misuse or accidents involving hazardous materials could lead to significant litigation, fines and penalties.

The above noted laws and guidelines are extremely complex and, in many instances, there are no significant regulatory or judicial interpretations of such laws and guidelines. Any determination that GS USA has violated these laws or guidelines, or the public announcement that GS USA is being investigated for possible violations of these laws or guidelines, would materially adversely affect our Company's business, prospects, results of operations and financial condition. In addition, a significant change in any of these laws or guidelines may require GS USA to change its business model in order to maintain compliance with these laws and/or guidelines, which could reduce its revenue or increase costs and materially adversely affect our Company's business, prospects, results of operations and financial condition.

Regulations by the U.S. Food and Drug Administration ("FDA") regarding genetic testing are in a state of flux and changes to these regulations could dramatically affect the molecular diagnostics industry in the near future. With the advent of direct-to-consumer DNA testing (*i.e.*, testing that is marketed directly to the public, does not require a physician's order and provides risk factor information rather than diagnostic or prognostic information), genomic testing using microarray technology (particularly single nucleotide polymorphism arrays) has come under scrutiny. In October 2014, FDA issued a Draft Guidance for Industry relating to the Framework for Regulatory Oversight of Laboratory Developed Tests (LDTs). In this document, it is clear that FDA's primary concern is the regulation of laboratories certified under the 1988 Clinical Laboratory Improvement Amendments (CLIA) that are performing *clinical* direct-to-consumer testing (*i.e.*, testing ordered by a physician for medically necessary reasons, including disease diagnosis, monitoring and treatment decisions), not direct-to-consumer laboratories performing *non-clinical* testing and/or services (such as our Company's). While no specific guidelines governing non-clinical direct-to-consumer laboratories have been implemented by FDA, changes to how FDA regulates non-clinical direct-to-consumer laboratories may be forthcoming. There can be no assurance that such changes, should they be implemented, will not negatively impact our Company's business.

The rules and regulation relating to the biotech industry and the services and products of our Company are evolving in the United States and other parts of the world. Inherently, there are uncertainties and unknown risks associated with such products and industry. Accordingly, enactment of future laws and regulatory requirements related to such products and the biotechnology industry could affect the regulatory environment in which we operate in.

Health and Safety

GS USA must meet workplace health and safety laws and regulations. The Federal *Occupational Safety and Health Act* ("OSHA") places specific legal duties on employers, supervisors, owners and workers. The purpose of this legislation is to create safe working conditions through requirements imposed on employers and employees.

The responsibilities of GS USA as an employer include the provision of appropriate equipment, the monitoring of biological, chemical, or physical agents in a workplace, and the limitation of worker's

REGULATIONS

exposure to such substances. GS USA must also carry out hazard communication training programs for employees to ensure compliance with OSHA and maintain Safety Data Sheets for chemicals used in the workplace, among other things. The failure of GS USA to comply with OSHA regulations could result in the assessment of fines and penalties, or could result in civil and criminal liability.

Environmental, Health and Safety

GS USA is subject to laws and regulations governing the generation, use, storage, handling and disposal of hazardous materials, including chemicals, pollutants, contaminant, solid wastes and medical wastes. These laws and regulations are enforced by various regulatory agencies, including the U.S. Environmental Protection Agency, the New Jersey Department of Environmental Protection and local units of government. GS USA may be required to obtain environmental permits or licenses for its operations, including various licenses and registrations.

GS USA's activities involve the generation, use and disposal of hazardous materials and wastes, including various chemicals and medical waste. The risk of contamination or injury from these materials cannot be completely eliminated. If a spill, discharge, emission or release involving these substances occurs, we could be liable for cleanup and remediation requirements as well as damages for harm to persons, property, the environment or natural resources, which could seriously impact our business operations and financial condition. GS USA is required to submit annual documentation regarding its generation and disposal of regulated medical waste materials.

If GS USA was found not to be in compliance with applicable environmental, health or safety laws and regulations, or if additional laws and regulations were issued, GS USA could be required to incur significant compliance costs, which could have a material adverse effect on our operations.

Confidentiality of Health Information

Federal and state laws regulating the confidentiality and privacy of private health information may apply to us. Violation of these laws can result in the imposition of civil and/or criminal penalties, as well as actions for damages. Federal and state laws aimed at protecting the privacy of confidential health information vary widely, and the application of these laws in the context of our services and products is evolving. These laws may affect our Company's ability to obtain and transmit information.

Products Liability

The services and products developed by our Company could be subject to claims regarding breach of express or implied warranties or product liability. Despite the fact that GS USA does carry product liability insurance, if our Company cannot protect against these potential liability claims, our Company may find it difficult or impossible to commercialize our Company's products. A liability claim could have a material adverse effect on our Company's financial condition.

Consumer Protection

Our Company could be subject to consumer protection laws in its business operations. The Federal Trade Commission, and similar state agencies regulate business operations and seek to prevent unfair trade practices. Customers who have complaints or issues with regard to certain business transactions and services can contact the governmental agencies to voice their complaints and obtain guidance with regard to their disputed transactions.

REGULATIONS

Local Government Regulations

GS USA may be subject to local government requirements, including the licensure of its operations, zoning laws, and local permitting requirements. GS USA may also be subject to local building codes which could limit its operations, or make its operations more expensive. Our Company may need local approvals for the use, storage and disposal of products, process materials and wastes.

Relevant Tax Laws and Regulations

GS USA is subject to federal, state and local tax rules. Both federal and state taxation authorities in the United States impose the collection of certain annual and other applicable taxes. In addition to paying the typical yearly federal, state and local income taxes, companies that engage in the business of selling products in the state of New Jersey must also obtain a Certificate of Authority, which is required in order to collect the New Jersey State mandatorily imposed sales and use tax.

Sales tax applies to receipts from retail sale, rental or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing and servicing tangible personal property or digital property; maintaining, servicing or repairing real property; certain direct-mail services; tattooing, tanning and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the New Jersey Sales and Use Tax Act.

A compensating use tax is also imposed when taxable goods and services are purchased and New Jersey sales tax is either not collected or is collected at a rate less than New Jersey's sales tax rate. The use tax is due when such goods, or the goods on which taxable services are performed, come into New Jersey. If sales tax was paid to another state, the use tax is only due if the tax was paid at a rate less than New Jersey's rate.

All persons required to collect the tax must file a Business Registration Application (Form NJ-REG). Each registrant's authority to collect the sales tax is certified by a Certificate of Authority issued by the State of New Jersey Division of Taxation, which must be prominently displayed at each place of business to which it applies.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement (SSUTA), which is a multi-state effort to simplify and modernize the collection and administration of sales and use taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions and minor changes in the treatment of exemption certificates.

GS USA will be required to withhold tax on distributions made to the Company to the extent such distributions constitute "dividends" for U.S. federal income tax purposes. A distribution generally will constitute a dividend for U.S. federal tax purposes to the extent GS USA has current or accumulated earnings or profits. If GS USA makes a distribution to the Company that constitutes a dividend, GS USA generally will be required to withhold thirty percent (30%) of the amount of such dividend and remit the

REGULATIONS

withheld tax to the U.S. federal tax authorities. If GS USA makes a distribution to the Company that exceeds GS USA’s current or accumulated earnings and profits, then the excess will not be treated as a dividend, but rather as a return of capital (to the extent of the Company’s tax basis in its shares of GS USA) and thereafter as capital gain. In either of those two instances, withholding tax generally should not apply.

Intellectual Property

U.S. intellectual property laws include copyright, trademark, patent and domain name-related laws. Copyright law is governed by the Copyright Act of 1976, which is codified in Title 17 of the U.S. Code. The U.S. Copyright Office, a department within the U.S. Library of Congress, examines copyright applications and grants registrations. Federal law, however, provides for common law rights for copyrights and trademarks as well. Both federal and state law apply to trademarks. Federal trademark law is governed by the Lanham Act, which is codified in Title 15 of the U.S. Code. The U.S. Patent and Trademark Office (“USPTO”), an agency within the U.S. Department of Commerce, issues federal trademark registration to providers of goods and/or services. New Jersey state trademark law is governed in Title 56 of the New Jersey Revised Statutes. Patent law is governed by Title 35 of the U.S. Code. The USPTO also issues patents to inventors. Title 37 of the Code of Federal Regulations contains regulations directed towards copyrights, trademarks and patents. Finally, the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d), is a U.S. law establishing a cause of action for registering, trafficking in or using a domain name confusingly similar to, or dilutive of, a trademark or personal name.

Import Regulations

Our Company’s shipments of products to the United States are subject to customs inspection and compliance. An importer of biological materials (e.g., gene synthesis products, proteins, etc.) is responsible for compliance of U.S. laws applicable to the imported articles in the first instance. U.S. law places the responsibility on the importer of record to exercise “reasonable care” to confirm that all the information declared to U.S. Customs and Border Protection (“CBP”) at importation is complete and accurate. In this regard, Section 484 of the Tariff Act of 1930, as amended (19 U.S.C. § 1484), requires the importer of record, using reasonable care, to classify and value imported merchandise, and provide any other information necessary to enable CBP to properly assess duties, collect accurate statistics and determine whether any other applicable legal requirement is met. This obligation primarily rests with the importer of record, not the supplier (exporter) or other party. Other parties are not responsible unless they furnish false information that becomes part of the customs entry.

CBP enforces both its own laws and regulations and also those of other relevant U.S. government agencies. Depending on the exact scientific, clinical, industrial or other use of the imported biological materials, the regulations of these other governmental agencies may become relevant. For example, in the case of human biological materials, the U.S. importer could also be responsible for compliance with the import regulations of the U.S. Centers for Disease Control (“CDC”) or the FDA, and, similarly, in the case of animal or plant biological materials, the U.S. importer could also be responsible for compliance with the import regulations of the U.S. Department of Agriculture (“USDA”).

The CDC, FDA and USDA laws and regulations enforced by CBP generally relate to human, animal, and plant health. If CDC, FDA or USDA believes that our Company’s products implicate these areas of concern, our Company’s shipments could be subject to further investigation by these governmental agencies. If these agencies determine that our Company’s products are subject to their jurisdiction, they

REGULATIONS

may require regulatory permits to import the products. Among the chief U.S. regulations that may be pertinent are the Public Health Service regulation, 42 C.F.R. § 71.54, which forbids the importation of etiological agents and vectors of human disease; the FDA jurisdiction over new drugs, 21 U.S.C. § 331; the USDA regulation, 9 C.F.R. § 122.2, which requires permits for the importation of organisms; and U.S. Department of Transportation regulations, 49 C.F.R. parts 171-178, which prescribe packaging requirements for hazardous materials. However, in instances where such biological materials are being imported solely for testing in scientific research, an import permit or license may not be required, but the shipment may still be reviewed at the port of entry by inspectors of the relevant governmental agencies.

LAWS AND REGULATIONS OF JAPAN

GS Japan has obtained all necessary licenses, consents, authorizations, approvals, orders, certificates and permits of and from all Japanese governmental, judicial or regulatory authority having jurisdiction over GS Japan necessary to conduct its current business in all material respects.

LAWS AND REGULATIONS OF THE NETHERLANDS

Our Netherlands representative office does not have and does not require any governmental permits, licenses or approvals to conduct its current business activities in the Netherlands.

DESCRIPTIONS OF SANCTIONS LAWS

United States

The United States has certain economic sanctions (principally the Trading with the Enemy Act ("TWEA") and the International Economic Emergency Powers Act ("IEEPA")) and regulations issued under TWEA and IEEPA that affect commerce with specific countries and with certain listed individuals, entities and organizations known as Specially Designated Nationals ("SDNs"). These sanctions principally apply to the activities of U.S. persons (e.g., U.S. citizens and permanent residents, entities established in the U.S. and their non-U.S. branch offices, any individual located in the territory of the U.S., and, in the case of Cuba and Iran sanctions, any entities owned or controlled by the foregoing); however, some of these sanctions also target the activities of non-U.S. companies doing business with Iran in certain sectors or with respect to certain activities. United States sanctions and related export control laws and regulations also prohibit (with certain limited exceptions) the export and re-export of U.S. origin items from the U.S. or third countries to certain sanctioned countries.

As of August 2015, the United States had near total trade embargoes against Crimea, Cuba, Iran, Sudan and Syria. In addition, as of August 2015, the United States had other less restrictive embargoes against certain listed individuals, groups and entities and against other nations including the Balkans, Belarus, Congo, Côte d'Ivoire, Iraq, Lebanon, Liberia, Libya, Myanmar (Burma), North Korea, Somalia, South Sudan, Russia/Ukraine, Yemen and Zimbabwe.

Sanctions Against Iran

With respect to Iran, the ITSR provide for a near total trade embargo. The ITSR applies to every United States person ("U.S. person"), which includes any: (a) U.S. citizen or permanent resident alien, whether any such citizen or permanent resident alien lives and works in the United States or anywhere else in the world; (b) any entity (e.g., a corporation) organized under the laws of the United States

REGULATIONS

(including any state thereof) or a foreign branch of such a U.S.-organized entity that is not separately chartered under local law; and (c) any person who is physically within the United States at a relevant time. In addition, the ITSR, as currently in effect, apply to any entity that is owned or controlled by a U.S. person and established or maintained outside the United States. Among the various restrictions under the ITSR, no person subject to U.S. jurisdiction may:

- Export, reexport, sell or supply any goods (except for informational materials and certain humanitarian donations), technology (including technical data, software or other information) or services from the United States to Iran or import any such items from Iran, directly or through a third country;
- Approve, finance, facilitate or guarantee any transaction by a foreign person where the transaction would be prohibited by the ITSR if performed by a U.S. person;
- Invest in Iran or in property (including entities) owned or controlled by the Government of Iran;
- Engage in any transaction or dealing in or related to: (a) goods or services of Iranian origin or owned or controlled by the Government of Iran; (b) goods, technology or services for exportation, reexportation, sale or supply, directly or indirectly, to Iran or the Government of Iran;
- Enter into or perform: (a) a contract that includes overall supervision and management responsibility for the development of petroleum resources located in Iran or a guaranty of another person's performance under such contract; (b) a contract for the financing of the development of petroleum resources located in Iran or a guaranty of another person's performance of such contract; or
- Evade, avoid or attempt to violate any of the prohibitions contained in the ITSR.

Unlike the ITSR, the Comprehensive Iran Sanctions and Divestment Act of 2010 ("CISADA") and the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "ITRSHRA"), each of which amends the Iran and Libya Sanctions Act of 1996 ("ISA"), apply to all "persons," rather than only U.S. persons. Under the ISA, sanctionable activities include certain investments in Iran's energy sector, the provision of weapons of mass destruction or related technology, and the enhancement of Iran's military capabilities. Under CISADA, certain investments in the petroleum industry and in petroleum-related products are prohibited. The ISA also places restrictions on foreign financial institutions in their dealings with Iran. U.S. financial institutions, and persons controlled by U.S. financial institutions, are prohibited from knowingly engaging in any transactions with or benefitting Iran's Revolutionary Guard Corps or any blocked person. On January 3, 2012, the U.S. Congress passed the ITRSHRA. The ITRSHRA, among other things, expanded the sanctions imposed by the ISA, including sanctions targeting persons who (i) issue or purchase Iranian sovereign debt; (ii) enter into joint ventures with the Government of Iran to develop petroleum resources outside of Iran; (iii) construct infrastructure that can be used to transport Iran's energy products; (iv) support Iran's production of petrochemical products; (v) own, operate or insure vessels used to transport crude oil out of Iran and (vi) participate in joint ventures with Iran or Iranian entities related to mining, production or transportation of uranium.

Following the passage of the ITRSHRA, the President of the United States has passed Executive Orders 13608, 13622, 13628 and 13645, all of which have expanded the sanctions applicable to non-U.S.

REGULATIONS

persons. Executive Order 13608, among other things, prohibits facilitation of deceptive transactions for or on behalf of any person subject to U.S. sanctions concerning Iran. Executive Orders 13622 and 13628 prohibited, among other things, certain petroleum-related transactions. Executive Order 13645 implemented certain sanctions on the automotive, energy, shipping and shipbuilding sectors of the Iranian economy.

Property Blocking Sanctions

The U.S. sanctions against Belarus, Iraq, Lebanon, Libya, Russia/Ukraine and Serbia (the Balkans) are property blocking measures (the “Property Blocking Sanctions”). Unless exempted or otherwise licensed or authorized, such Property Blocking Sanctions prohibit all transfers and dealings in a target’s (e.g., an SDN) property or interests in property within the United States or otherwise within the possession or control of a U.S. person (regardless of the location of that U.S. person). U.S. persons must retain or “freeze” blocked property interests within their possession or control and they may not engage in any unauthorized disposition of a frozen asset. This means that U.S. persons may not perform blocked contracts. Each of the Property Blocking Sanctions also contains a provision which prohibits a U.S. person from entering into a transaction which evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Property Blocking Sanctions. The Property Blocking Sanctions do not extend to foreign subsidiaries of U.S. entities.

Export Administration Regulations

The U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”) administers and enforces the Export Administration Regulations (“EAR”). The EAR controls so-called “dual-use” items (i.e., those items that can be used in a military or defense application but that are primarily commercial or civilian in nature). In general, the term “subject to the EAR” includes: (i) all products, materials, test and inspection equipment, software and technology (collectively, “Items”) in the United States; (ii) U.S.-origin Items outside of the United States; and (iii) certain foreign-origin Items outside the United States that incorporate, or were manufactured using, U.S.-origin Items. The BIS has published a detailed list of Items that are considered controlled and that would require an export license for exports to certain destinations. This list is known as the Commerce Control List (“CCL”). The CCL is very precise and technically detailed. Using the CCL and the EAR’s Country Chart, one can determine whether a BIS export license is required to export a controlled item to a particular end-user in a particular country.

The BIS also maintains the “Entity List.” The Entity List initially arose in 1997 as a list setting forth foreign end-users known to be involved in proliferation activities and the development of weapons of mass destruction or missiles to deliver those weapons. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the State Department and activities contrary to U.S. national security or other foreign policy interests. Any export, reexport or transfer of an Item subject to the EAR to an entity on the BIS Entity List requires a license. Further, BIS has a license review policy establishing a presumption that any license application for an export, reexport or transfer to an entity on the BIS Entity List be denied.

European Union

The E.U. also imposes economic sanctions against certain countries which include, but are not limited to, Iran, Russia, Ukraine, Egypt, Libya and Lebanon.

The E.U. sanctions are sector specific and their scope varies significantly from case to case. The scope of the E.U. sanctions also changed significantly over time in relation to each sanctioned country.

REGULATIONS

Many of the sanctions involve arms embargoes and restrictions on the supply of 'dual-use' items and items and technologies used for human rights abuses and repression purposes to the sanctioned countries as well as asset freezing measures and travel bans in relation to listed individuals and entities. In some cases, such as the sanctions against Iran and Russia, various sanctions were imposed by the E.U. in relation to the supply of goods and technical assistance relating to a number of specified sectors (such as nuclear proliferation, enrichment activities and uranium mining, the oil and gas industry, deep sea and Arctic drilling and the financial industry).

E.U. sanctions apply subject to territorial limitations. The E.U. sanctions are effective: (i) within the territory of the E.U., including its airspace; (ii) on board any aircraft or any vessel under the jurisdiction of an E.U. member state; (iii) to any person inside or outside the territory of the E.U. who is a national of a Member State; (iv) to any legal person, entity or body, inside or outside the territory of the E.U., which is incorporated or constituted under the law of a Member State; and (v) to any legal person, entity or body in respect of any business done in whole or in part within the E.U. Persons and entities to whom E.U. sanctions apply are referred to hereafter as "E.U. Persons". E.U. sanctions are introduced through E.U. regulations, which are directly applicable in the 28 Member States of the E.U., and do not require further implementing legislation. Under the E.U. sanctions regime, certain activities are either prohibited or require approval from the competent authority of an E.U. member state.

E.U. sanctions have been extended to overseas territories of E.U. member states including (amongst others) the Cayman Islands and the British Virgin Islands. Accordingly, entities incorporated in these territories and nationals of these territories are also E.U. Persons as referred to herein.

E.U. sanctions may further prohibit provision of technical assistance, brokering services and/or financing or financial assistance in support of certain prohibited activities, and contain wide anti-circumvention provisions, which prohibit E.U. Persons from taking steps knowingly to assist, directly or indirectly, in the circumvention of the sanctions or in facilitating their contravention.

In some cases, a limited number of grandfather provisions may apply, which may allow the fulfillment of certain obligations which would otherwise be prohibited where those obligations arise under an agreement or contract concluded before the entry into force of E.U. sanctions or before a specific date as specified by the relevant E.U. regulation. Notification to or approval by national competent authorities may be required.

Whilst E.U. regulations are directly applicable, each Member State sets the penalties for breaches of E.U. sanctions, generally by way of national legislation. In some Member States, national legislation creates criminal offenses and may further elaborate on activities that will be regarded as being contrary to the E.U. regulations. In the UK, for example, as is the case in the Cayman Islands and the BVI, legislation imposes criminal offenses not only in relation to the contravention of the E.U. regulations, but also in relation to assisting in "*facilitating*" a contravention. Accordingly, if E.U. sanctions apply to a party subject to UK, BVI or Cayman islands jurisdiction, then the approach to risk will be informed by these provisions.

Further, in order to fully assess E.U. sanctions risk it is necessary to consider the effect of E.U. regulations, the domestic legislation in each E.U. member state governing penalties for breaches of E.U. sanctions, and applicable Member State national legislation which may be engaged by the particular circumstances of a proposed investment.

E.U. sanctions against Iran are provided for under Council Regulation No. 359/2011 of April 12, 2011 (as amended), relating to perpetrators of human rights abuses; and Council Regulation No.

REGULATIONS

267/2012 of March 23, 2012 (as amended), relating to nuclear proliferation. The E.U. sanctions targeting Iran include, *inter alia*: (i) asset freezes and prohibitions on the making available of funds and economic resources, directly or indirectly, to or for the benefit of listed natural and legal persons; (ii) restrictions on the sale, supply, transfer or export, directly or indirectly, of listed goods and technology (including weapons of mass destruction, military and dual-use goods and technology and goods, services and technology relating to the nuclear industry, uranium mining, enrichment and missiles) to any Iranian person, entity or body or for use in Iran; (iii) a prohibition on the sale, supply, transfer or export of graphite and listed raw or semi-finished metals, directly or indirectly, to any Iranian person, entity or body, or for use in Iran; (iv) prohibitions on the import into the E.U. and the purchase of crude oil and petroleum products located in, originating in, or exported from Iran; (v) prohibitions on the supply of goods, services, technologies and financial assistance relating to the Iranian petrochemical industry; (vi) severe restrictions on provision of financial services to Iranian banks and other entities, on the trading in Iranian bonds and on the transfer of precious metals, on the provision of insurance and shipping services to Iran; and (vii) subject to certain exemptions, restrictions on transfers of funds to or from Iranian persons, entities or bodies. There are also prohibitions on the provision of technical assistance, brokering services, financing and financial assistance in support of certain prohibited activities.

E.U. sanctions concerning Ukraine and Russia are provided for under Council Regulation No. 208/2014 of March 5, 2014 (as amended), relating to misappropriation of state funds and violations of human rights; Council Regulation No. 269/2014 of March 17, 2014 (as amended), relating to the territorial integrity, sovereignty and independence of Ukraine; Council Regulation No. 692/2014 of June 23, 2014 (as amended), relating to Crimea and Sevastopol; and Council Regulation No. 833/2014 of July 31, 2014 (as amended), relating to Russia. These E.U. sanctions include, *inter alia*: (i) asset freezes and prohibitions on making available funds and economic resources, directly or indirectly, to or for the benefit of listed natural and legal persons; (ii) restrictions on access to the capital market for, and lending to, certain listed Russian financial institutions and military and energy companies; (iii) restrictions on the sale, supply, transfer or export, directly or indirectly of listed items relating to deep sea and Arctic drilling, specialist floating vessels, shale gas production and other aspects of the oil industry, to any natural or legal person, entity or body in Russia or in any other State, if such items are for use in Russia; and (iv) a prohibition on the sale, supply, transfer or export, directly or indirectly, of military and dual-use goods and technology to any natural or legal person, entity or body in Russia or for use in Russia. There are also prohibitions on the provision of technical assistance, brokering services, financing and financial assistance in support of certain prohibited activities.

E.U. sanctions against Libya, Egypt and Lebanon cover asset freezing sanction against listed entities and individuals and in the case of Libya, restrictions on the supply of arms and other military equipment.

Australia

In Australia, sanctions laws are implemented through two related regimes: the United Nations Security Council sanctions regimes ("UN sanctions") and Australian autonomous sanctions regimes ("autonomous sanctions"). The relevant Australian legislation which underpins the sanctions are as follows: (a) UN sanctions are implemented primarily under the Charter of the United Nations Act 1945 (Cth) and its set of regulations; and (b) autonomous sanctions are implemented primarily under the Autonomous Sanctions Act 2011 (Cth) and the Autonomous Sanctions Regulations 2011 (Cth).

REGULATIONS

The autonomous sanctions regimes can either operate separate to or in addition to the UNSC sanctions regimes. For example, and as is extrapolated below in greater detail, both the U.N. sanctions and Australian autonomous sanctions apply to Iran, whereas the U.N. sanctions only apply to Iraq, for example.

Australian sanctions have extraterritorial reach and apply to: (a) Australian citizens; (b) persons incorporated in Australia and persons controlled by a person incorporated in Australia; (c) persons located in Australia; (d) conduct or a result of the conduct occurring on board an Australian aircraft or an Australian ship, and (e) activities conducted in or through Australia.

Breaches of controls on trade in sanctioned goods and services, or dealings with sanctions-designated individuals and entities, are criminal offenses under the Autonomous Sanctions Act 2011 (Cth).

It is possible to obtain a “sanctions permit” authorizing otherwise restricted or prohibited activities, although an application must be made to the Minister for Foreign Affairs.

In relation to Iran, Australia has implemented the UNSC sanctions regime and also applies an autonomous sanctions regime. The autonomous sanctions regime has been imposed against Iran since October 18, 2008 and has been amended several times, most recently on December 19, 2013. In summary, the sanctions regimes prohibit or restrict:

- (a) the export or supply of goods, such as: (i) direct or indirect supply of “export sanctioned goods.” What constitutes export sanctioned goods is broad and wide-ranging; and (ii) supply, sale or transfer to the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government) of gold, precious metals or diamonds.
- (b) the export or provision of services, including: (i) technical advice, assistance or training; (ii) financial assistance; (iii) a financial service; or (iv) another service, if the provision of that service: (i) assists with the supply, sale or transfer of “export sanctioned goods”; (ii) is in respect of an oil tanker or cargo vessel flying the flag of the Islamic Republic of Iran, or is owned, chartered or operated by an Iranian person, entity or body; (iii) assists with or is provided in relation to the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government); or (iv) assists with an activity involving an item of gold, precious metals or diamonds.
- (c) the import, procurement, purchase or transport of goods including: (i) “import sanctioned goods” if the goods originate in, or are exported from Iran (i.e., crude oil, petroleum, etc.); and (ii) imports or purchase from the Government of Iran (related public bodies, corporations or agencies, or persons or entities acting on behalf of the Government).
- (d) commercial activities: broadly, the sanctions regime restricts commercial activities relating to investment in the oil and gas industry in Iran, and Iranian investment in Australia’s oil and gas industry.
- (e) financial sanctions: the use or dealing with an asset (defined broadly to include intangible, tangible, movable or immovable property) owned or controlled by a “designated person or entity” for Iran, or making an asset available for the benefit of a “designated person or entity”.

REGULATIONS

- (f) travel bans: “declared person(s)” prohibited from traveling to, entering or remaining in Australia (unless the prohibition is waived).

In relation to Russia, the UNSC is constrained in issuing sanctions against Russia due to its veto power as a permanent member of the UNSC. Accordingly, sanctions against Russia must stem from the Australian Government issuing autonomous sanctions. On March 31, 2015, the Autonomous Sanctions Regulation 2011 was amended so as to impose autonomous sanctions in relation to Russia. The following restrictions and prohibitions apply:

- (a) the direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of the following goods: (i) “arms or related materiel”; and (ii) items suited to certain categories of exploration and production projects in Russia;
- (b) the import, procurement, purchase or transport of “arms or related materiel” if the goods originate in, or are exported from Russia;
- (c) the export or provision of services, such as: (i) the provision to Russia, or a person for use in Russia, of technical advice, assistance or training, or financial assistance, or financial service, or another service, if it assists with, or is provided in relation to (A) a military activity and (B) the manufacture, maintenance or use of “arms or related materiel”; (ii) the provision to Russia, or to a person, entity or body for use in Russia, specified services necessary for certain categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf;
- (d) restrictions on commercial activities, including: (i) the direct or indirect purchase or sale of, or any other dealing with, bonds, equity, transferable securities, money market instruments or other similar financial instruments, if the financial instrument (A) is issued by an entity specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015, and (B) has a maturity period specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015; and (ii) directly or indirectly making, or being part of any arrangement to make loans or credit if the loan or credit (A) is made by an entity specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 and (B) has a maturity period specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015 for the financial instrument and the entity, without a sanctions permit. There are certain exceptions to the above prohibitions;
- (e) restrictions on the use of or dealing with an asset that is owned or controlled by a “designated person or entity”, or making an asset available directly or indirectly to, or for the benefit of, a “designated person or entity”.

In addition to the sanctions outlined above, there are sanctions relating to the Crimea, Sevastopol and Ukraine.

In relation to Libya, Australia has implemented the UNSC sanctions regime and also applies an autonomous sanctions regime. The autonomous sanctions regime has been imposed against Libya since February 26, 2011. In summary, that regime prohibits the use of or dealing with an asset, property of any kind whether tangible or intangible, movable or immovable that is owned or controlled by a designated

REGULATIONS

person or entity for Libya or making such an asset or property available to, directly or indirectly to, or for the benefit of, a designated person or entity. It also imposes a travel ban and prohibits a declared persons from traveling to, entering or remaining in Australia. The UNSC sanction regime for Libya extends to the export or supply, provision of services relating to or import of, relevantly, "arms or related materiel".

United Nations

U.N. sanctions are binding on U.N. member states, the domestic laws of which will determine whether further action, such as domestic legislation, is needed to impose their requirements on private parties. Accordingly, the means of implementation, the interpretation and enforcement of U.N. sanctions may differ among U.N. member states.

The UNSC has imposed a variety of sanctions against Iran. These are provided for in UNSC resolutions 1737 (2006), 1747 (2007), 1803 (2008), 1929 (2010), 1984 (2011), 2049 (2010), 2105 (2013), and 2159 (2014). The restrictive measures require U.N. member states to, *inter alia*: (i) take the necessary measures to prevent the supply, sale or transfer directly or indirectly from their territories, or by their nationals or using their flag vessels or aircraft to, or for the use in or benefit of, Iran, and whether or not originating in their territories, of all items, materials, equipment, goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy water-related activities, or to the development of nuclear weapon delivery systems; (ii) take the necessary measures to prevent the supply, sale or transfer directly or indirectly from their territories, or by their nationals or using their flag vessels or aircraft to, or for the use in or benefit of, Iran, and whether or not originating in their territories, of certain listed items, materials, equipment, goods and technology; (iii) prevent the direct or indirect supply, sale or transfer to Iran, from or through their territories or by their nationals or individuals subject to their jurisdiction, or using their flag vessels or aircraft, and whether or not originating in their territories, of any conventional arms; (iv) freeze the funds, other financial assets and economic resources which are on their territories that are owned or controlled by listed persons or entities; and (v) take the necessary measures to prevent the entry into or transit through their territories of designated individuals.

By UNSC resolution 1631 of October 2005 all States were obligated to freeze funds, financial assets and economic resources in their territories that are owned or controlled by people suspected of being involved in the assassination of Prime Minister Rafiq Hariri and to subject those individuals to a travel ban. UNSC 1701 of August 2006 imposed an arms embargo on all arms transfers not authorized by the Government of Lebanon or the UN peacekeeping force. The embargo also prohibits any technical training or assistance. This resolution has subsequently been extended, amended and modified.

UNSC resolutions 1971 (2011), 1973 (2011) and 2146 (2014) require all States to impose an arms embargo on Libya and a travel ban and assets freezing measures against listed individuals and organizations in Libya and measures in relation to attempts to illicitly export crude oil out of Libya.