

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central, Hong Kong
Tel: +852 2524 7106
Fax: +852 2845 9268
conyersdill.com

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2842 9531
Anna.Chong@conyersdill.com

The Directors
China Data Broadcasting Holdings Limited
Unit 3701, 37/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: **China Data Broadcasting Holdings Limited (the "Company")**

We have acted as counsel to the Company in connection with its incorporation in Bermuda as a Bermuda exempted company. You have requested that we advise you on certain aspects of Bermuda company law. The following is not intended to be exhaustive but merely to provide brief details and information which may be applicable to the Company.

General The principal statute in Bermuda governing the formation and operation of companies is The Companies Act, 1981 (the "Companies Act"). In general, many of the provisions of the Companies Act have been taken from The Companies Act, 1948 of the United Kingdom although their application has, in certain instances, been adapted to conform to general concepts of company law in Bermuda. In some circumstances, however, certain statutory provisions differ quite substantially from their equivalent in the United Kingdom Act (such as with respect to redemption of shares and the requirements as to accounts). In addition, certain aspects of Canadian company law have been included in the Companies Act.

The Companies Act draws a distinction between companies which carry on their business activities in Bermuda and those which carry on their business activities out of Bermuda but from a place of business in Bermuda. Certain provisions of the Companies Act, therefore, relate specifically to "local" companies and, as such, are not considered further in this letter.

There is a large body of common law which has developed relating to companies. The Bermuda courts treat English common law relating to companies as of strong persuasive

authority. Further, a court is directed by The Interpretation Act, 1951 of Bermuda to apply as nearly as practicable the rules for interpretation and construction of provisions of law which are applicable in England to the interpretation and construction of statutory provisions of Bermuda law.

Incorporation The Company was incorporated by registration as an exempted company under the Companies Act on 22 September 1999.

Constitution The constitutive documents of the Company are its memorandum of association and bye-laws. The memorandum of association sets out the object clauses of the Company.

The memorandum of association provides that the liability of the members of the Company is limited to the amount (if any) for the time being unpaid on their shares. There is no requirement for a minimum share capital.

The bye-laws of the Company set out the rights and duties as between the Company, its members and its directors.

Amendment to Constitution The memorandum of association of the Company may be amended in a manner similar to the process for effecting incorporation. Thereafter, it is necessary for the members of the Company to approve the amendment by resolution in general meeting. Once approved, the amendment is registered with the Registrar of Companies.

While an increase in the authorised share capital constitutes an amendment to the memorandum of association, it is not necessary that the formal amendment procedure be followed. The share capital may be increased by resolution of the shareholders in general meeting and will take effect as of that date. Following the increase, a memorandum of increase of share capital must be filed with the Registrar of Companies.

The Company may reduce its capital. A publication of intention to reduce capital must be made in a newspaper in Bermuda. The Company may not reduce its capital if, on the date the reduction is to be effected, there are reasonable grounds for believing that the Company is, or after the reduction would be, unable to pay its liabilities as they become due.

The bye-laws of the Company may be amended by the directors of the Company subject to approval of the members in general meeting in accordance with the provisions of the bye-laws. No approvals from any regulatory body in Bermuda are required. Where there is

more than one class of shares and the amendment would affect the rights of any or all of those classes, each of the affected classes, whether or not such classes normally carry voting rights, will, in general, be entitled to vote separately as a class on such amendment.

The Companies Act expressly permits the Company, subject to its memorandum of association, to limit the exercise by its shareholders of certain of their powers under the Companies Act.

Share Capital The authorised share capital of the Company is denominated in Hong Kong dollars. The authorised share capital must be divided into shares of par value. Shares of no par value are not permitted. A company may, however, issue fractional shares. Bearer shares are prohibited.

Where a share is issued at a premium (i.e. for a price in excess of the par value thereof), whether for cash or otherwise, the amount of such premium must be credited to a "share premium account" which is, in general, treated as capital of the company. In particular, the reduction of share capital provisions will apply as if the share premium account were paid up share capital of the Company except that the share premium account may be applied by the Company (i) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares, (ii) in writing off the preliminary expenses of the Company or the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company, or (iii) in providing for the premiums payable on redemption of shares or of any debentures of the Company.

Where shares of the Company are issued in exchange for other shares, the premium, if any, arising on the issue of the shares of the Company may be credited to a "contributed surplus account".

The memorandum of association of the Company specifically incorporates the powers contained in section 42 of the Companies Act. As such, the Company may, subject to the terms of section 42 of the Companies Act, issue preference shares which are redeemable at the option of the Company or at the option of the holder thereof. Further, the memorandum of association incorporates the powers contained in section 42A of the Companies Act whereby the Company is entitled to purchase its own shares. Shares so purchased by the Company may either be cancelled or held as treasury shares. Any purchased shares cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the Company are held as treasury shares, the Company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement pursuant to Section 99 of the Companies Act, and

any purported exercise of such a right is void. No dividend shall be paid to the Company in respect of shares held by the Company as treasury shares; and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) shall be made to the Company in respect of shares held by the Company as treasury shares. Any shares allotted by the Company as fully paid bonus shares in respect of shares held by the Company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the Company at the time they were allotted.

The redemption or purchase may only be effected (i) with respect to the par value of the shares to be redeemed or purchased, out of the capital paid up thereon, the funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose and (ii) with respect to any premium on the redemption or purchase of such shares, out of the share premium account or funds of the Company otherwise available for dividend or distribution. Any amount due to a shareholder on a redemption or purchase by the Company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the Company having the same value; or (iii) be satisfied partly under (i) and partly under (ii).

No purchase or redemption by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing, that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

Under Bermuda law, a subsidiary is not prohibited from holding shares of the Company and, in certain circumstances, may acquire such shares. There is no statutory restriction preventing a subsidiary from voting the shares it holds in the Company.

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given.

The Company may, if authorised by a general meeting of the members of the Company and by its bye-laws, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by its

memorandum of association; make provision for the issue and allotment of shares which do not carry any voting rights; change the currency denomination of its share capital; and cancel shares which have not been taken or agreed to be taken by any persons.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied.

If, in the case of a company the share capital of which is divided into classes of shares, provision is made in the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, subject to the consent of any specified proportion of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of the said provision, the rights attached to any such class of shares are at any time varied, the holders of not less in the aggregate than ten per cent of the issued shares of that class, may apply to the court to have the variation cancelled, and, where any such application is made, the variation shall not have effect unless and until it is confirmed by the court. Any such application must be made within 28 days after the date on which the consent was given or the resolution passed.

If neither the memorandum of association nor bye-laws of a company with share capital which is divided into different classes of shares makes provision for varying the rights attached to any class of share and nothing in the memorandum of association or bye-laws precludes a variation of such rights, the rights attached to any class, unless otherwise provided by the terms of issue of the shares of that class may, whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the bye-laws or other rules of the company relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll; however, in the case of a company having only one member, one member present in person or by proxy constitutes the necessary quorum.

No permissions of the Bermuda Monetary Authority are required for the issue of new shares and securities of the Company to and between persons regarded as non-resident of Bermuda for exchange control purposes and the subsequent transfer of such shares for so long as the shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

Share Certificates The Companies Act requires that, unless the conditions of issue of shares provide otherwise, as soon as practicable after the allotment of any shares, the Company must complete and deliver share certificates in relation to shares issued by the Company.

The Company is entitled to treat the registered holder of shares as the absolute owner thereof. In particular, the Company is not bound to take cognisance of any trust or other interest over the shares of the Company.

Dividends and Distribution A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined by the Companies Act to include the proceeds arising from donated shares, credit resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

Prospectuses and Public Offers Where the Company proposes to make an offer of its shares to the public, it may be subject to the requirement of the Companies Act to publish in writing a prospectus prior to the offer and file a prospectus prior to or as soon as reasonably practicable after publication of such a prospectus. Under the Companies Act, the "public" is broadly defined. However, certain types of offers may be treated as not being made to the public. Amongst these is an offer to existing holders of the same class of shares without any right of renunciation and an offer which is not calculated to result, directly or indirectly, in shares becoming available to either more than 35 persons or persons whose ordinary business involves the acquisition, disposal or holding of shares, whether as principal or agent. The Companies Act expressly provides that it is not necessary to publish and file a prospectus, at any time or in any circumstances, where (i) the shares of the Company are listed on an appointed stock exchange or an application has been made for the shares to be so listed and the rules of the appointed stock exchange do not require the Company to publish and file a prospectus at such time or in such circumstances; or (ii) the Company is subject to the rules or regulations of a competent regulatory authority and such rules or regulations do not require the Company to publish and file a prospectus at such time or in such circumstances, except where exemption from publication and filing of a prospectus is given by reason of the offer being made only to persons who are resident outside the jurisdiction of the authority.

Where an appointed stock exchange or competent regulatory authority has received or otherwise accepted the prospectus, such prospectus will, in general, be deemed to satisfy the contents requirements of the Companies Act.

The contents provisions of the Companies Act require disclosure of certain matters relating to the Company including the names of its officers, its business, the rights and restrictions attaching to its shares, a report of its auditors and a statement on the minimum amount of subscription which, in the opinion of the directors, must be raised in order for the offer to become effective. If the minimum subscription is not raised within 120 days of the publication of the prospectus, no shares may be allotted and the subscription monies must be returned to applicants. It should also be noted that the auditors' report must relate to a period ended not more than eighteen months prior to the date of the prospectus, provided that where the relevant period ended more than six months prior to the issue of the prospectus, there must also be included unaudited financial statements for a fiscal quarter which ended not more than four months prior to the date of the prospectus.

In order to be filed with the Registrar of Companies in Bermuda, the prospectus must be signed by or on behalf of all the directors of the Company. In addition, an attorney in Bermuda must certify either (i) that the prospectus contains the particulars required by the Companies Act and submit to the Registrar of Companies a written statement from the auditor of the company wherein the auditor confirms his consent to the inclusion of his name in the prospectus to be issued by the company as having accepted the appointment as auditor of the company or of his report in the prospectus or (ii) that an appointed stock exchange or competent regulatory authority has received or otherwise accepted the prospectus.

The Stock Exchange of Hong Kong Limited is an appointed stock exchange for the purpose of the Companies Act.

Further, where any company continuously over a period offers shares to the public and any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, the company, as soon as practicable after becoming aware of that fact, must publish supplementary particulars describing the material changes and file a copy of the supplementary particulars with the Registrar of Companies.

The Companies Act provides for criminal offences in relation to the making of an untrue statement in a prospectus and, in addition, for civil liability for untrue statements in a prospectus.

A statutory right of action is conferred on subscribers of shares in the Company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement and a shareholder may claim damages or other compensation from a company where shares are issued subject to misrepresentation. In addition, a company itself (as opposed to its shareholders) may take action against officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the Company.

Management and Administration The affairs of the Company must be conducted in accordance with the Companies Act and the bye-laws. In general, the business of the Company will be carried on by its directors. The directors may, subject to the bye-laws of the Company, exercise all the powers of the Company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the Company.

The affairs of a company must be managed by at least one director who shall be a person elected in the first place at the statutory meeting and thereafter at each annual general meeting of the company or elected or appointed by the members in such other manner and for such term as may be provided in the bye-laws. Further, a company must satisfy certain "Bermuda representation" requirements by having:

- (a) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (b) a secretary that is an individual or a company, and who is ordinarily resident in Bermuda; or
- (c) a resident representative that is an individual or a company, and who is ordinarily resident in Bermuda.

There is no limitation on the maximum number of directors, however, members of the company may at a general meeting determine a maximum number and may authorise the directors to elect or appoint on their behalf a person or persons to act as additional directors up to the maximum determined by the members of the company. Further, so long as there is a quorum of directors in office, any vacancy on a board of directors left unfilled by the shareholders in general meeting and any vacancy arising during the term of the directors may be filled by the directors unless the bye-laws provide otherwise.

The directors of a company are not required to hold any qualifying shares in the company.

The Companies Act contains no specific restriction on the power of the directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director, managing director and secretary) of the Company in exercising his powers and discharging his duties must do so in the best interests of the Company and exercise the care, diligence and skill which a reasonably prudent person would exercise in comparable circumstances. Furthermore, it requires that every officer comply with the Companies Act, regulations passed pursuant thereto and the bye-laws of the Company.

Section 96 of the Companies Act prohibits, except in certain limited circumstances, a company from making a loan to a person who is a director of the company or a director of its holding company or entering into any guarantee or providing any security in connection with a loan made to such person by any other person. That section also provides that a loan shall be deemed to be a loan to a director if it is made to the spouse or child of a director or to any company (other than a company which is a holding company or a subsidiary (wherever incorporated) of the company making the loan or, as the case may be, the company entering into guarantee or providing security in connection with a loan made to such person by any other person) in which a director, his spouse or child own or control directly or indirectly more than twenty per cent of the capital or loan debt. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting, which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the Company in the ordinary course of that business, or (c) any advance of moneys by the Company to any officer or auditor under section 98(2)(c) of the Companies Act which allows the Company to advance moneys to an officer or auditor of the Company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the Company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising.

Restriction on Acquisition of Property and carrying on Business in Bermuda Unless specially authorised by the Companies Act, the Company is not permitted to: (i) acquire or hold land in Bermuda except land required for its business held by way of lease or tenancy

agreement for a term not exceeding fifty years or with the Minister's consent, land by way of lease or tenancy agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees, (ii) except as specifically authorised, take any mortgage of land in Bermuda, (iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda, and (iv) to carry on business in Bermuda save for certain exceptions which include (aa) carrying on business with persons outside Bermuda, (bb) carry on business in Bermuda with another exempted company in furtherance only of the business of the company outside Bermuda, (cc) carry on business in Bermuda as manager or agent for, or consultant or adviser to any exempted company or permit company which is affiliated, whether or not incorporated in Bermuda, with the exempted company, and (dd) carry on such business in relation to an exempted partnership or an overseas partnership in which the exempted company is a partner.

Directors' Duty In general, the directors owe their duties to the Company and must exercise the care and skill of a reasonably prudent man of business. A director must disclose at the first opportunity at any meeting of the directors or in writing to the directors any interest in any material contract or any material interest in any person with whom the Company has dealings.

Resident Representative The resident representative is entitled to (i) attend, be heard at and receive minutes of meetings of directors and members of the company or of any committee of such directors, (ii) upon giving notice to the company, receive notice of any meeting of directors or members or any committee of such directors, (iii) act as agent for service of process for the company in Bermuda, and (iv) file all documents and make all applications required and permitted by the Companies Act.

The resident representative has a duty to report to the Registrar of Companies any material breaches by the company of provisions of the Companies Act or regulations made thereunder or any issue or transfer of shares of a company effected in contravention of any statute.

Where an exempted company has a resident representative, the resident representative shall maintain at his or its office in Bermuda of originals or copies of (i) minutes of all proceedings of meetings of directors and members of the company, (ii) all financial statements required to be prepared by the company under the Companies Act together with the auditors' report thereon and (iii) all records of account required by the Companies Act to be kept in Bermuda.

Register of Directors and Officers The Company is required to maintain a register of directors and officers at its registered office in accordance with the Companies Act. Such register must include with respect to each director and officer (i) in the case of an individual, his present first name, surname and address; and (ii) in the case of a company, its name and registered office. An officer for purposes of the register of directors and officers means (a) an officer who is also a director of the Company and (b) the secretary of the Company. The Companies Act also requires that the register contain such particulars of a resident representative where one is appointed by the Company. The register of directors and officers must be made available for inspection for not less than two hours in each day by members of the public without charge.

Register of Charges The Registrar of Companies maintains a register of charges in respect of the Company. Every charge over the assets of the Company may be submitted to the Registrar for registration against the Company.

Registration constitutes notice to the public of the interest of the chargee in or over the charged assets. Any registered charge will have priority over any subsequently registered charge and any unregistered charge. Where charges are created after 1 July, 1983, priority is based upon the date of registration and not the date of creation of the charge. There is no time within which a charge must be registered in order to be effective.

Investigation of the Affairs of the Company Under the Companies Act, the Minister of Finance may at any time of his own volition appoint one or more inspectors to investigate the affairs of the Company and to report thereon in such manner as he may direct.

Protection of Minorities. Class actions and derivative actions are generally not available to members of the Company under the law of Bermuda; however, the Bermuda court ordinarily may permit a shareholder to commence an action in the name of the Company to remedy a wrong done to the Company where the act complained of is alleged to be beyond the corporate power of the Company or illegal or would result in the violation of the Company's memorandum of association and bye-laws. Further, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or where an act requires the approval of a greater percentage of members than that which actually approved it.

Any member of the Company who complains that the affairs of the Company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the Company would unfairly prejudice that part of the

members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the Company's affairs in future or for the purchase of shares of any members of the Company by other members of the Company or by the Company and in the case of a purchase by the Company for the reduction accordingly of the Company's capital, or otherwise. Bermuda law also provides that the Company may be wound up by the Bermuda court if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority members seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such order as it may think fit.

Except as mentioned above, a person may claim against the Company as a member pursuant to section 54A of the Companies Act. However, such claims must be based on the general laws of contract or tort applicable in Bermuda.

Public Records of the Company The following records of the Company are available for public inspection at the office of the Registrar of Companies: (i) the memorandum of association and any amendments thereto, (ii) the certificate of incorporation, (iii) a statement as to the registered address of the Company, (iv) the register of charges of the Company and (v) any prospectus filed with the Registrar of Companies. In addition, the register of members and the register of directors and officers must be made available for inspection by the public without charge at the registered office of the Company. If summarized financial statements are sent to the members of the Company pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the Company in Bermuda. The members of the Company have the additional right to inspect the bye-laws of the Company, minutes of general meetings and the Company's audited financial statements. Minutes of general meetings of the Company are also open for inspection by directors of the Company without charge for not less than two hours during business hours each day. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records. The Company is not required to file accounts with the Registrar of Companies in Bermuda except as may be required in connection with the filing of a prospectus.

The Companies Act provides that, except where the register and branch register of members are closed pursuant to the provisions of the Companies Act, the register and branch register of members of the Company shall during business hours (subject to certain reasonable restrictions as the company may impose, so that not less than two hours in each day may be allowed for inspection) be open for inspection by any member without charge and by any other person on payment of BD\$5.00, or such lesser sum as the company may determine, for

each inspection. Any person may require a copy of the register of members or any part thereof which must be provided within 14 days of receipt of a written request. The Companies Act imposes penalties for failure to make the register so available. Any branch register of members established by the Company under the Companies Act is subject to the same rights of inspection as the principal register of members of the Company in Bermuda. A company may on giving notice by advertisement in an appointed newspaper in Bermuda close the register of members or by advertisement in a national newspaper in the jurisdiction in which the branch register of members of the Company is kept close the branch register of members for any time or times not exceeding in the whole 30 days in a year.

Accounts The Companies Act requires that the Company cause to be kept proper records of account with respect to (i) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place, (ii) all sales and purchases of goods by the Company, and (iii) the assets and liabilities of the Company. The records of account must be kept at the registered office of the Company or at such other place as the directors think fit and shall at all times be open to inspection by the directors or the resident representative of the Company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the Company in Bermuda such records as will enable the directors or the resident representative of the Company to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period, except that where the Company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the Company to ascertain with reasonable accuracy the financial position of the Company at the end of each six month period.

The directors of the Company are obliged to lay before the Company in a general meeting financial statements for the relevant period which shall include (i) a statement of the results of operations for the period, (ii) a statement of retained earnings or deficit, (iii) a balance sheet as at the end of such period, (iv) a statement of changes in financial position or cash flows for the period, (v) notes to the financial statements which include a description of accounting principles used in the preparation of the financial statements which principles may be those of a jurisdiction other than Bermuda or such other generally accepted accounting principles as may be appointed by the Minister of Finance under the Companies Act, and where the generally accepted accounting principles used are other than those of Bermuda, the notes shall identify the generally accepted accounting principles so used, and (vi) such further information as required by the Companies Act, its memorandum of association and its bye-laws. Further, the auditor must audit the financial statements as will enable him to report to the members based on the results of his audit which must be made

in accordance with generally accepted auditing standards and the auditor must then make a report to the members.

Unless the requirement to lay financial statements and/or the auditor's report thereon is waived in accordance with the provisions of the Companies Act, the audited financial statements must be placed before the members in general meeting. Such financial statements must be made available to every member of the Company at least 5 days before the general meeting at which they are to be approved. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within 7 days of receipt by the company of the member's notice of election.

Auditors Unless the requirement to appoint an auditor is waived in accordance with the provisions of the Companies Act, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the general meeting. The Company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the Company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement

from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the Company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

Winding up The Company may be wound up by the court on application presented either by the Company itself, its creditors or its contributors. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable that the Company be wound up.

The Company may be wound up voluntarily when the Company so resolves in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, the Company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above except so far as may be required for the beneficial winding up thereof. Upon the appointment of a liquidator, the responsibility for the Company's affairs vests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up, the Company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the Company and distributing its assets. If the liquidator at any time forms the opinion that the Company will not be able to pay its debts in full he is obliged to summon a meeting of creditors.

As soon as the affairs of the Company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property has been disposed of, and thereupon call a general meeting of the Company for the purposes of laying before it the account and giving an explanation thereof. This final

general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up, the Company must call a meeting of creditors of the Company to be summoned on the day or the next day following the day on which the meeting of the members at which the resolution for winding up is to be proposed. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the Company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the Company provided that if the creditors nominate a different person, the person nominated by the creditors shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the Company and a meeting of the creditors at the end of each year to lay before such meeting an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the Company are fully wound up, the liquidator must make an account of the winding up showing how the winding up has been conducted and the property of the Company has been disposed of, and thereupon shall call a general meeting of the Company and a meeting of the creditors for the purposes of laying the account before such meeting and giving an explanation thereof.

Taxation At the date hereof, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members, other than members ordinarily resident in Bermuda. Further, no such tax is imposed by withholding or otherwise on any payment to be made to or made by the Company.

An assurance has been received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 for an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not until 31st March, 2035 be applicable to the Company or to any of its operations or to the shares, debentures or other obligations of the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding

such shares, debentures or other obligations of the Company or to any land leased or let to the Company.

As an exempted company, the Company will be liable to pay the Bermuda Government an annual registration fee based on a sliding scale by reference to its share capital, ranging from BD\$1,995 per annum to a maximum of BD\$31,120 per annum.

An annual declaration is submitted each year at the time of payment of the annual registration fee. This declaration states (i) the type of business carried on by the Company, (ii) the amount of the company's authorized share capital, (iii) the amount of the company's share premium account, (iv) amount of the company's assessable capital (or the total of amounts (ii) and (iii)), (v) the amount of the company's assessable capital expressed in Bermuda dollars, and (vi) the exchange rate used for the conversion under (v).

Stamp Duty The Company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including the shares of local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from stamp duty.

Exchange Control Bermuda is independent for the purposes of exchange control which is operated under the Exchange Control Act 1972 and related regulations. The Company has been designated non-resident for exchange control purposes. The non-resident designation allows the Company to operate free of exchange control regulations and enables it to make payments of dividends, to distribute capital, to open and maintain foreign bank accounts and to purchase securities, etc. without reference to the exchange control authorities.

Yours faithfully,

Conyers Dill & Pearman

Conyers Dill & Pearman