PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Law of the PRC on Wholly Foreign-owned Enterprises

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was issued by the SCNPC on 29 December 1993, last revised and became effective on 26 October 2018. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

Before 2020, the establishment and operation of wholly foreign-owned enterprises are mainly governed by the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法), which was issued by the NPC on 12 April 1986, last revised on 3 September 2016 and became effective on 1 October 2016, and governed by the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法實施細則) issued by the Ministry of Foreign Economy and Trade (對外經濟貿易部) (now integrated into the MOFCOM on 12 December 1990 and last revised by the State Council on 19 February 2014 and became effective on 1 March 2014.

Since the Foreign Investment Law of the PRC (中華人民共和國外商投資法) promulgated by the NPC came into force on 1 January 2020, the Law of the PRC on Wholly Foreign-Owned Enterprises has been repealed by the Foreign Investment Law simultaneously. The Foreign Investment Law sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

Catalogue of Industries for Guiding Foreign Investment

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄), last repealed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version)(外商投資准入特別管理措施(負面清單) (2019年版)) (the "**Negative List**") and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (鼓勵外商投資產業目錄(2019年版)) (the "**Encouraging Catalogue**") which were promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019. Pursuant to the Encouraging Catalogue and the Negative List, foreign-invested projects are categorised as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Encouraging Catalogue and the Negative List are permitted foreign-invested projects. As the tantalum and niobium metallurgy industry is not listed in the Negative List, it shall be considered as a permitted industry.

Records of Foreign-Owned Enterprises

On 3 September 2016, the SCNPC revised the Law of the PRC on Wholly Foreign-Owned Enterprises, such that foreign-owned enterprises which are not subject to the special administrative measures for admission need only file a record of its establishment, operation period, extension, separation, merger or other major changes to the delegated commercial authorities. The special administrative measures for admission shall be issued or approved to be issued by the State Council. Pursuant to Announcement No. 22 issued by the NDRC and the MOFCOM on 8 October 2016 and became effective on the same day, the special administrative measures for admission shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-

invested industries which have requirements as to shareholding and the qualifications of senior management. In accordance with the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "**Interim Measures**"), which was issued by the MOFCOM on 8 October 2016, last revised on 29 June 2018 and became effective on 30 June 2018, foreign-invested enterprises not subject to approval under the special administrative measures for admission shall file their establishment and modification with the delegated commercial authorities. Since 8 October 2016, foreign-invested enterprises that fall within the record-filing scope as stipulated in the Interim Measures shall submit an application and the relevant documents for record-filing of the establishment and changes and undergo the required record-filing procedures.

The Interim Measures was repealed by the Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法) issued jointly by MOFCOM and SAIC on 30 December 2019 and became effective on 1 January 2020. According to the Measures for the Reporting of Foreign Investment Information, where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments in accordance with these Measures. A foreign investor who forms a foreign-funded enterprise within China shall submit an initial report through the enterprise registration system when undergoing formation registration of the foreign-funded enterprise. In the case of any modification of the information in the initial report, which involves the enterprise's modification registration (recordation), the foreign-funded enterprise shall submit the modification report through the enterprise registration system when undergoing the enterprise's modification registration (recordation).

Changes in Equity Interests of Investors in Foreign Investment Enterprises Several Provisions

Pursuant to the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) (now integrated into the MOFCOM) and the SAIC on 28 May 1997 and became effective on the same day, changes in equity interests of investors in foreign investment enterprises shall refer to the changes that occur in investors in Sino-foreign equity joint ventures, Sino-foreign co-operative joint ventures and wholly foreign-owned enterprises ("**Enterprises**") established within the territory of the PRC according to the laws of the PRC or the changes that occur in the shares of capital contributions (including co-operation conditions provided) ("**Equity Interests**") of investors in Enterprises. Any change in the Equity Interest of an investor in an Enterprise shall conform with the relevant Chinese laws and regulations and be subject to approval by the examination and approval authority in accordance with these provisions, whereupon the registration with the registration authority shall be changed in accordance with these regulations. Any changes in Equity Interests that have not been approved by the examination and approval authority shall be invalid. On 28 December 2019, the Provisions for the Alteration of Investors' Equities in Foreign-funded Enterprises was abolished.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) issued by the State Council on 29 January 1996, last revised on 5 August 2008 and became effective on the same day, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and

expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. The Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless approval from the SAFE or its local counterpart is obtained in advance.

According to the Circular of SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was issued on 30 March 2015 and became effective on 1 June 2015, a voluntary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, and RMB funds from voluntary settlement of capital funds shall be deposited into and managed under an "account for foreign exchange fund settled and to be paid". Pursuant to the Circular 37, a domestic corporate entity and individual domestic resident, which/who, for the purposes of investment and financing, directly establishes or indirectly controls a special-purpose vehicle, and directly or indirectly undertakes domestic direct investment activities through such special-purpose vehicle using legitimately held domestic company assets or equities or using legitimately held overseas company assets or equities, namely the activity of establishing a domestic foreign investment enterprise or project by merger and acquisition or incorporating a new entity while acquiring ownership title, rights of control, rights of business operation and management and other similar activities must apply to SAFE for registration of foreign exchange for overseas investment. According to the Circular 13, the foreign exchange administration policies for direct investment are further simplified. This includes the cancelling of two administrative approvals, namely the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; the simplifying of confirmation registration and administration over a foreign investor's capital contribution under domestic direct investment; and the cancelling of annual foreign exchange inspection of direct investment.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, last revised on 27 December 2008 and became effective on 1 October 2009, and the Detailed Rules for the Implementation 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 19 January 1985, last revised on 9 January 2010 and became effective on 1 February 2010, there are three types of patents in the PRC, namely invention patents, utility model patents and design patents. Invention patents are valid for 20 years from the date of application; utility model patents and design patents are valid for 10 years from the date of application. Patent owners pay annual fees from the year they are granted the patent. Persons or entities who use patents without the consent of patent owners, counterfeit patented products or engage in activities that infringe upon patent rights will be held liable to the patent owner for compensation and may be subjected to fines and even criminal punishment.

PRC LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) issued by the SCNPC on 25 June 1986, last revised on 26 August 2019 and became effective on 1 January 2020, and the Regulation on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) issued by the State Council on 4 January 1991, last revised on 29 July 2014 and became effective on the same day, all entities and individuals that are in need of land for construction purpose shall, in accordance with law, apply for the use of state-owned land. Where land for agriculture is to be used for construction purpose, the formalities of examination and approval shall be undertaken for the conversion of land into construction land. If a construction unit needs to use state-owned land for construction of an approved project, it shall apply to the land administration department of the government at or above the county level that has the approval authority by presenting the relevant documents as required by laws and regulations. The said department shall examine the application before submitting it to the said government for approval. A construction unit that plans to use state-owned land shall obtain it by means of compensation for assignment. A construction unit that obtains land use right of state-owned land shall pay premium for the use of land, in accordance with the rates and measures prescribed by the State Council.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the EIT Law issued by the NPC on 16 March 2007, last revised by the SCNPC on 29 December 2018 and became effective on the same day, and the Regulation on the Implementation of the EIT Regulation issued by the State Council on 6 December 2007, last revised on 23 April 2019 and became effective on the same day, both domestic and foreign-invested enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in the PRC are considered resident enterprises, and will generally be subject to EIT at the rate of 25% of their global income. The EIT law defines "de facto management bodies" as "establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties" of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to EIT at the rate of 25%. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (關於境外註冊中資控股企業依據實際管理機構認定為居民企業有關問題的通知) issued by the SAT on 22 April 2009, last revised on 29 December 2017 and became effective on the same day, sets up a more specific definition of actual management structure standard.

In addition, under the EIT Law, High-tech Enterprises that need the key support of the state shall have their EIT rate reduced to 15%. The High-tech Technology Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域), the Administrative Measures for Determination of High-tech Enterprises (高新技術企業認定管理辦法), which was issued jointly by Ministry of Science and Technology, MOF and SAT on 14 April 2008, amended on 29 January 2016 and became effective on 1 January 2016, and the EIT Law regulate the sort of enterprises that are capable of enjoying tax reduction.

Value Added Tax ("VAT")

According to the Interim Regulation on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) issued by the State Council on 13 December 1993, last revised on 19 November 2017 and became effective on the same day, and the Detailed Rules for the Implementation of the Interim Regulation on Value Added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) issued by the MOF on 25 December 1993, last revised on 28 October 2011 and became effective on 1 November 2011, entities and individuals selling goods in the PRC or providing processing services, repair services and importation services should be subject to VAT, and the payable tax amount shall be calculated by deducting input tax for the current period from output tax for the current period.

According to the Notice of Taxation on Implementing the Pilot Programme of Replacing Business Tax with VAT in an All-round Manner (關於全面推開營業稅改徵增值稅試點的通知) jointly issued by the MOF and the SAT on 23 March 2016, last revised on 20 March 2019 and became effective on 1 April 2019, the countrywide pilot practice of levying VAT in lieu of business tax (the "**Pilot Practice**") has been carried out since 1 May 2016. According to the specific regulatory documents for the Pilot Practice, including the Implementation Measures for the Pilot Practice of Levying VAT in lieu of Business Tax (營業稅改徵增值稅試點實施辦法), the VAT rates vary from 17%, 11%, 6% to 0% for taxpayers incurring taxable activities.

According to the Notice of Taxation on Adjusting Value-added Tax Rates (關於調整增值稅稅率的通知) issued jointly by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively. As for exported goods to which the tax rate of 17% applies and whose export tax refund rate is 17%, the export tax refund rate shall be adjusted to 16%. As for exported goods and cross-border taxable sales to which the tax rate of 11% applies and whose export tax refund rate is 11%, the export tax refund rate shall be adjusted to 10%. The abovementioned exported goods sold by and the cross-border taxable sales conducted by a producer before 31 July 2018 shall be subject to the export tax refund rate before adjustment.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) jointly promulgated by the MOF, the SAT and the General Administration of Customs of the PRC (中華人民共和國海關總署) on 20 March 2019 and became effective on 1 April 2019, the VAT tax rates on sales, imported goods that were previously subject to 16% and 10% are now adjusted to 13% and 9% respectively. As for exported goods to which the tax rate of 16% applies and whose export tax refund rate is 16%, the export tax refund rate shall be adjusted to 13%. As for exported goods and cross-border taxable sales to which the tax rate of 10% applies and whose export tax refund rate is 10%, the export tax refund rate shall be adjusted to 9%. The abovementioned exported goods sold by and the cross-border taxable sales conducted by a producer before 30 June 2019 shall be subject to the export tax refund rate before adjustment, if VAT thereon has been collected at the tax rate before adjustment at the time of purchase; and where the VAT thereon has been collected at the adjusted tax rate at the time of purchase, the adjusted export tax refund rate shall apply.

Environmental Protection Tax

According to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (the "**EPT Law**") promulgated by the SCNPC on 25 December 2016, last revised on 26 October 2018 and became effective on the same day, enterprises discharge taxable pollutants such as air pollutants, water pollutants, solid waste and noise shall file and pay environmental protection tax to the authorities on a quarterly basis from 1 January 2018 based on the List of Items and Amounts of Environmental Protection Tax (環境保護稅稅目稅額表) and the List of Taxable Pollutant and Relevant Equivalent under the Environmental Protection Law (應稅污染物和當量值表). The environmental protection tax will be collected and managed by tax authorities in accordance with the Law of the PRC on the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and the EPT Law, and the environmental protection tax shall be collected instead of the pollutant discharge fees after the EPT Law takes effect.

Withholding Income Tax

According to the EIT Law and the EIT Regulation, dividends generated after 1 January 2008 and dividends payable by foreign enterprises in the PRC to foreign investors shall be subject to a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction where any of those foreign investors are registered. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) issued by the SAT on 21 August 2006, if the shareholders are Hong Kong residents holding at least 25% of the registered capital of the PRC company, a withholding tax rate of 5% applies to any dividends declared by the PRC company, or if the shareholders are Hong Kong residents holding less than 25% of registered capital, a withholding income tax rate of 10% applies. According to Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (國家稅務總局公告2015年第60號—關於發布非居民納稅人享受稅收協定待遇管理辦法的公告) effective on 1 November 2015, and last revised on 15 June 2018, the withholding tax rate of 5% does not automatically apply. To enjoy the treatment of tax treaties on the dividend clause of the tax treaty, an enterprise shall apply to the local competent tax authorities for approval.

EIT for Indirect Transfer of Properties by Non-resident Enterprise

Pursuant to the Announcement on Several Issues concerning EIT on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) issued by the SAT on 3 February 2015, last revised on 29 December 2017 and became effective on the same day, an indirect transfer by a non-resident enterprise of its properties, such as equity investments in a PRC resident enterprise by implementing arrangements without reasonable commercial purposes to evade the EIT, shall be re-defined and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Transfer Pricing Adjustment

According to the EIT Law and the EIT Regulation, where a transaction between an enterprise and its affiliated enterprises fails to comply with the independent transaction principle, and reductions are made to the taxable income or the amount of income of the enterprise or its affiliated enterprises, the tax

authorities have a right to make adjustments according to a reasonable method within 10 years from the tax year in which the transaction occurs. If the tax authorities have made tax adjustments and the taxpayer is required to make up outstanding tax payments, the additional tax amount shall be levied and collected with interest pursuant to the provisions of the State Council.

According to the Announcement of the SAT on Promulgation of the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》的公告) promulgated by the SAT on 17 March 2017 and partly revised on 15 June 2018, the tax authorities shall focus on enterprises with the following risk characteristics while implementing special tax investigation: (i) enterprises with large transaction amount of affiliated transactions, or varied types of affiliated transactions; (ii) enterprises with long-term losses, low profits or non-linear profits; (iii) enterprises with profit lower than the industry's level; (iv) enterprises whose profit level does not match the functional risks they perform, or whose earnings shared do not match the costs shared; (v) enterprises which carry out affiliated transactions with affiliated parties located at low tax countries (or regions); (vi) enterprises which fail to declare affiliated transactions or prepare contemporaneous documentation pursuant to the provisions; (vii) enterprises whose ratios of debt investments and equity investments accepted from the affiliated parties exceed the stipulated standards; (viii) an enterprise controlled by a resident enterprise or by a resident enterprise and a Chinese resident which is established in a country (or region) with actual tax burden lower than 12.5% does not distribute profit or reduces profit distribution for reasons other than reasonable needs for business operation; or (ix) implements other tax planning or arrangements which do not have a reasonable business purpose.

PRC LAWS AND REGULATIONS RELATING TO LABOUR

Labour Law

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) issued by the SCNPC on 29 June 2007, last revised on 28 December 2012 and became effective on 1 July 2013, requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee is to be no less than the local standard on minimum wages. According to the Labour Law of the PRC (中華人民共和國勞動法) issued by the SCNPC on 5 July 1994, last revised on 29 December 2018 and became effective on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations and provide relevant training to its employees.

Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) issued by the SCNPC on 28 October 2010, last amended on 29 December 2018 and became effective on the same day, as well as other relevant provisions, an employee shall participate in five types of social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer, while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time,

the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Regulation on the Administration of Housing Provident Funds (住房公積金管理條例) issued by the State Council on 3 April 1999, last revised on 24 March 2019 and became effective on the same day, an employer must register with the competent managing centre for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be fined and ordered to make payment within a certain period.

LAWS AND REGULATIONS RELATING TO THE CHEMICAL INDUSTRY IN THE PRC

The Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例) (the "**Hazardous Chemical Regulations**") were issued by the State Council on 26 January 2002, last revised on 7 December 2013 and became effective on the same day, which stipulate administrative and supervisory rules for the safety production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or accelerative, and which damage human health, facilities or the environment. The relevant government authorities will issue and adjust the Catalogue of Hazardous Chemicals (危險化學品目錄) from time to time. Enterprises engaging in the production of hazardous chemicals must, prior to the commencement of production, obtain a Safety Production Permit (危險化學品安全生產許可證) for hazardous chemicals.

The safety conditions of newly built, reconstructed or expanded construction projects for the production and storage of hazardous chemicals are subject to the examination of the work safety administrative department. In the event that an enterprise undertaking such construction projects fails to do so, the relevant work safety administrative department shall order the concerned party to discontinue the construction process and make corrections within a specified time limit.

The Regulations on Work Safety Permits (安全生產許可證條例) were issued by the State Council and became effective on 13 January 2004, last revised on 29 July 2014 and became effective on the same day. The Measures for Implementation of Work Safety Licenses of Hazardous Chemical Production Enterprises (危險化學品生產企業安全生產許可證實施辦法) were formulated according to the Regulations on Work Safety Licenses and the related laws and regulations, which were issued by the State Administration of Work Safety (the "**SAWS**", predecessor of the Ministry of Emergency Management) on 17 May 2004, last revised on 6 March 2017 and became effective on the same day. According to the aforesaid regulations and measures, an enterprise which engages in the production of final products or intermediate products as listed in the Catalogue of Hazardous Chemicals must obtain a Safety Production Permit for hazardous chemicals prior to its commencement of production of hazardous chemicals.

According to the Measures for the Administration of Registration of Hazardous Chemicals (危險化學品登記管理辦法), which was issued by the State Economic and Trade Commission (now the MOFCOM) on 8 October 2002, last revised by the SAWS on 1 July 2012 and became effective on 1 August 2012, a newly established hazardous chemicals production enterprise shall undergo the formalities for the registration of hazardous chemicals before the completion and acceptance of projects. A Hazardous Chemicals Registration Certificate is valid for three years. A Hazardous Chemicals

Registration Certificate should set out particulars such as the nature of the enterprise (a hazardous chemicals producer, a hazardous chemicals exporter or a hazardous chemicals producer and exporter), the registered products and the validity period.

According to the Interim Provisions on the Supervision and Management of Major Hazard Sources of Dangerous Chemicals (危險化學品重大危險源監督管理暫行規定) issued by the SAWS on 5 August 2011, last revised on 27 May 2015 and became effective on 1 July 2015, an enterprise which engages in the production, storage, use and operation of hazardous chemicals should make identification, safety assessment, safety evaluation and grading of its major hazards; set up a sound safety monitoring and controlling system; formulate an emergency plan for major hazards accidents; register the identified major hazards item by item in a timely manner and file with the local work safety administrative department at the county level.

Pursuant to Regulation on the Administration of Precursor Chemicals (易製毒化學品管理條例) issued by the State Council on 26 August 2005, last revised on 18 September 2018 and became effective on the same day, the state adopts the classified administration and a licensing system for the production, operation, purchase, transportation and import and export of precursor chemicals. An entity that purchases any precursor chemicals in Category II or III shall, before the purchase, report the variety and quantity in demand to the public security organ of the local people's government at the county level for archival filing.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Work Safety Law of the PRC (中華人民共和國安全生產法) issued by the SCNPC on 29 June 2002, last revised on 31 August 2014 and became effective on 1 December 2014, production and operation entities must comply with the relevant work safety laws and regulations. Enterprises should establish relevant work safety rules, perfect the conditions for safe production, and ensure safety during production. Enterprises that do not meet the requirements for safe production are prohibited from engaging in production or other business activities. An entity engaged in mining, metal smelting, building construction, or road transportation or an entity manufacturing, marketing, or storing hazardous substances shall establish a work safety management body or have full-time work safety management personnel. Any business entity other than those abovementioned shall establish a work safety management body or have full-time work safety management personnel if the number of its employees exceeds 100; or shall have full-time or part-time work safety management personnel if the number of its employees is 100 or less. Where an enterprise fails to comply with the relevant work safety requirements, it may be subject to fines and ordered to discontinue production. Where a crime is constituted, the person in charge of the enterprise may be subject to criminal liabilities.

Pursuant to Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (危險化學品建設項目安全監督管理辦法) issued by the SAWS on 30 January 2012, became effect on 1 April 2012, and last revised on 27 May 2015 and became effective on 1 July 2015, newly built, reconstructed or expanded construction projects for the production or storage of hazardous chemical materials, as well as chemical construction projects which generate hazardous chemical materials, are subject to safety examinations. Where a construction project has not passed the safety examination and as-built acceptance check of its safety facilities, the construction of it may not commence or it may not be put into production (or put to use).

Pursuant to the Special Equipment Safety Law of the PRC (中華人民共和國特種設備安全法), which was issued by the SCNPC on 29 June 2013 and became effective on 1 January 2014, special equipment users shall use special equipment produced with a permit and passing inspection. Special equipment users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate, and place the registration mark in a conspicuous position of the special equipment. A special equipment user shall, according to the requirements of safety technical specifications, file a request for regular inspection with a special equipment inspection agency one month before the period of validity of its inspection certificate expires.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) issued by the SCNPC on 13 September 1979, effective on the same date and last revised on 24 April 2014 and became effective on 1 January 2015, the construction of projects that cause environmental pollution shall comply with the requirements of the environmental protection administration for the respective construction projects. Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned simultaneously with the principal project. The PRC Government implements the pollution discharge license management system in accordance with the law. Enterprises, public institutions and other producers and operators that implement the pollution discharge license management shall discharge pollutants in accordance with the requirements of the pollution discharge license; those that fail to obtain the pollution discharge license shall not discharge pollutants.

Pursuant to the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法) issued by the SCNPC on 28 October 2002 and last revised on 29 December 2018 and became effective on the same day, a construction entity shall, based on the Classified Administration Catalogue for Environmental Impact Assessment of Construction Projects (建設項目環境影響評價分類管理名錄) issued by the Ministry of Ecology and Environment, carry out procedures for its construction project in accordance with the following stipulations: (i) if the environmental impact is potentially significant, it shall produce a report with an all-round assessment of the environmental impacts; (ii) if the environment impact is expected to be slight, it shall produce a report to include an analysis or special assessment of the environmental impacts; and (iii) if the environment impact is expected to be minor it should submit a registration form on the environmental impacts, and it is not necessary to conduct an assessment. Where the environmental impact assessment document of a construction project fails to undergo the examination of the approval department in accordance with the law or is disapproved after examination, the construction entity shall not commence construction.

Pursuant to the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) issued by the State Council on 29 November 1998, last revised on 16 July 2017 and became effective on 1 October 2017, the evaluation of environmental effects of construction projects shall be conducted prior to the construction. Based on the extent of effects to the environment, the construction unit shall submit to the relevant administrative departments of construction protection the report on the environmental effects or the report form for the environmental effects, which shall be prepared by institutions with corresponding qualifications, or the registration form for the environmental effects as stipulated and obtain approvals from such administrative departments. Environmental protection facilities shall be designed, built and put into operation together with the main body of the construction project. Upon completion of the construction

projects, the construction units shall apply to the administrative departments of environmental protection for acceptance check of the environmental protection facilities before the construction projects can be put into operation.

Pursuant to the Circular on Issuing the Implementing Proposals for the Reform of Environmental Impact Assessment during the 13th Five-Year Plan Period (「十三五」環境影響評價改革實施方案) issued by the Ministry of Environmental Protection (predecessor of the Ministry of Ecology and Environment) on 15 July 2016, the requirement of administrative permission for completion and acceptance of environmental protection (環保竣工驗收行政許可) is explicitly cancelled, and it is required to establish a management mechanism for transition among environment impact assessment, the "Three-Simultaneity" (三同時), including simultaneously design, construct, and use the environmental protection facilities with the principal part of a construction project and the emission approval. The relevant requirements for pollutant emission control in the environmental impact assessment document and its official reply are set out in pollutant discharge license. Before a construction project is put into operation, the construction unit shall, based on the environmental impact assessment document and its approval opinion, entrust a third party body to prepare a completion and acceptance report for environmental protection facilities of the construction project for disclosing to the public and filing with environmental protection department.

Pursuant to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was issued by the SCNPC on 30 October 1995, last revised on 7 November 2016 and became effective on the same day, construction projects where solid waste will be generated or projects for the storage, utilisation or treatment of solid waste shall be subject to environmental impact assessment according to law. The necessary supporting facilities for the prevention and control of environmental pollution by solid wastes as specified in the statement of the environmental effect of the construction project shall be designed, constructed and put to use in production simultaneously with the body of the project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of environmental pollution by solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

PRC LAWS AND REGULATIONS RELATING TO CUSTOMS, IMPORTS AND EXPORTS

In accordance with the Customs Law of the PRC (中華人民共和國海關法) issued by the SCNPC on 22 January 1987, last revised on 4 November 2017 and became effective on 5 November 2017, recipients and senders of imported and exported goods completing customs declaration formalities must register with the Customs in accordance with the laws. In accordance with the Administrative Provisions for Registration of Customs Declaration Agents of the PRC (中華人民共和國海關報關單位註冊登記管理規定), which was issued by the General Administration of Customs of the PRC on 13 March 2014, last revised on 29 May 2018 and became effective on 1 July 2018, after registration with customs, recipients and senders of imported and exported goods may complete customs declaration formalities at customs territory ports or at the centralised customs surveillance place within the territory of the PRC.

In accordance with the Import and Export Commodity Inspection Law of the PRC (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989, last revised on 29 December 2018 and became effective on the same day, as well as its implementation ordinance, recipients and senders of imported and exported goods may complete the application formalities of customs inspection

by themselves or authorise an agent to complete this procedure. The government maintains a documentary record and registration system for application formalities of customs inspection completed by the recipient and sender of imported and exported goods by themselves. The recipient and sender of imported and exported goods completing quarantine formalities must submit documentary records to the relevant entry and exit quarantine inspection body in accordance with the laws.

In accordance with the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) issued by the SCNPC on 12 May 1994, last revised on 7 November 2016 and became effective on the same day, foreign trading enterprises engaged in the import and export of goods or the technology shall register with and submit documental record to the responsible foreign trade department under the State Council or governmental body authorised by the State Council. Customs shall not process customs declarations submitted by foreign trading enterprises not registered in accordance with the laws.

HONG KONG LAWS AND REGULATIONS RELATING TO TRADE

Sale of goods

Under the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), where the seller sells goods in the course of a business, the following terms are implied:

(a) that the goods supplied are of merchantable quality;

(b) if the buyer makes known to the seller the purpose for which the goods are being bought, that the goods are reasonably fit for that purpose;

(c) if the contract is a sale of goods by description, that the goods shall correspond with the description; and

(d) if the contract is a sale by sample, that the bulk shall correspond with the sample in quality, that the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and that the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) provides that where the other party deals as consumer, liability for breach of the above implied terms cannot be excluded or restricted. Where the other party does not deal as consumer, such liability may be excluded or restricted by reference to a contractual term insofar as the term satisfies the requirement of reasonableness.

Inland Revenue Ordinance

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), for a company carrying on a trade, profession or business in Hong Kong, its assessable profits arising in or derived from Hong Kong shall be chargeable to profits tax.

Where transactions between associated persons involve actual provision which is different from the provision which would have been made in arm's length transaction, and such provision confers an advantage on one of the parties in relation to Hong Kong tax, then the income or loss of that person should be computed on the basis of the arm's length amount.

In December 2009, the Inland Revenue Department issued Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the Inland Revenue Department's views on transfer pricing and how it intends to apply the existing provisions of the Inland Revenue Ordinance to establish whether related parties are transacting at arm's length prices. In general the practices followed by the Inland Revenue Department are based on the transfer pricing methodologies recommended by the Organisation for Economic Co-operation and Development Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration.

The Hong Kong government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 ("**Amendment Ordinance No. 6**") on 13 July 2018. The Amendment Ordinance No. 6 introduces provisions for a statutory transfer pricing regime and for transfer pricing documentation in Hong Kong. The major issues covered under the Amendment Ordinance No. 6 are as follows:

- codify arm's length principle for related party transactions;
- introduce transfer pricing documentation in Hong Kong, which includes country-by-country report, master file and local file;
- codify advance pricing arrangement regime and extend application to unilateral advance pricing arrangements; and
- introduce legal framework for mutual agreement procedures, which includes arbitration.

In light of the Amendment Ordinance No. 6, in respect of transactions after 13 July 2018, where a company which is incorporated in Hong Kong fails to satisfy the Inland Revenue Department that the income or loss is the arm's length amount, the Inland Revenue Department may impose additional tax not exceeding the difference between the tax payable based on the reported amount and the tax payable based on the arm's length amount under section 82A(1D) of the Inland Revenue Ordinance.

The Inland Revenue Ordinance also provides for the obligations for the taxpayer to do the followings:

(a) to keep sufficient records of the company's income and expenditure to enable the assessable profit to be readily ascertained for at least seven years;

(b) to inform the Inland Revenue Department of its chargeability to tax;

(c) to submit tax return as required; and

(d) to inform the Inland Revenue Department of the commencement and cessation of employment of its employees.

U.S. LAWS AND REGULATIONS RELATING TO OUR PRODUCTS

During the Track Record Period, we had no material business activities in the United States other than the sales of our products to certain trading companies and one manufacturer located in the United States. Our sales activities in the United States are subject to certain applicable federal and state laws and regulations. The following paragraphs set out a summary of such laws and regulations with the most significant impact on our sales to the United States, covering the aspects of: (i) customs and importation; (ii) product liability and consumer safety; and (iii) anti-dumping.

Customs and importation

Customs clearance

The shipments of our products to the United States are subject to customs inspection and compliance. Although the importation of certain classes of merchandise may be prohibited or restricted to protect the economy and security of the United States, to safeguard consumer health and well-being, or to preserve domestic plant and animal life, these restrictions are not likely to impact importation of our tantalum- and niobium-based metallurgical products. Customs clearance, however, is required for all types of imports, including those made by mail and those placed in foreign trade zones. Thus, U.S. customs laws and regulations may, for example, prohibit entry, limit entry to certain ports, and restrict routing, storage or use. Alternatively, they may require additional steps to be taken, such as treatment, labelling or processing, and customs clearance is given only if these additional requirements are met.

The Bureau of Customs and Border Protection (the "**CBP**"), which is part of the U.S. Department of Homeland Security, is responsible for enforcing all laws and regulations applicable to the importation of carriers and commodities. Imported goods are not considered having legally entered into the United States until (i) the shipment has arrived at the port of entry; (ii) delivery of the goods has been authorised by the CBP; and (iii) the estimated tariff has been paid.

The U.S. Customs Modernisation Act (19 U.S.C. §§1508, 1509 and 1510) established the legal requirement that parties exercise "reasonable care" when importing goods into the United States. Every importer of record has a duty to provide the CBP with accurate information regarding the admissibility, tariff, classification, value, and origin of the imported goods. The importer is also responsible for providing any other documentation or information necessary to enable the CBP to determine whether all legal requirements have been met. The goods must bear markings of the country-of-origin, in English, which identify where the product is made. The importers must properly mark and number the packages in which goods are contained, list each package's contents on the invoice, and place marks and numbers on the invoices that correspond to those packages.

Every good imported into the United States must be assigned a tariff classification under the Harmonised Tariff Schedule of the United States (the "**HTSUS**"). The HTSUS dictates the applicable rate of duty applied to that product upon importation into the United States. The classification of a product is also a key factor in determining whether it is subject to quotas, restraints, embargoes or other restrictions, or whether it is entitled to special tariff preferences.

Chapter 81 of Section XV "Other base metals; cermets; articles thereof", Chapter 26 of Section V "Ores, slag and ash", and Chapter 28 of Section VI "Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" of the

HTSUS provide the classification and tariff rates applicable to tantalum- and niobium-based metallurgical products. As we are not deemed to be the importer of record for exports of our products, the obligation to comply with laws relating to export/import customs and tariffs is borne by our customers rather than our Group.

Customs duties

All goods imported into the United States are either subject to duty, or duty free, depending on their classification under the HTSUS. When goods are dutiable, ad valorem, specific or compound rates may be applicable:

- An ad valorem rate is a percentage of the value of the merchandise and is the type most often applied.

- A specific rate is a specified amount per unit of weight or other quantity.

- A compound rate is a combination of both an ad valorem rate and a specific rate.

Rates of customs duty for imported merchandise may also vary depending upon the country of origin. Most merchandise is dutiable under normal trade relations. Duty free status is available under various exemptions, such as Generalised System of Preference, Free Trade Agreements, preference programme beneficiaries, and other exemptions listed in Chapter 98 of the HTSUS.

There are a number of provisions under the U.S. trade law which may allow or result in modification of these duties. While provisions that were specific to PRC exporters have now expired, (see 19 U.S.C. §§ 2451, 2451a, 2451b(c)), Section 201 of the Trade Act of 1974, 19 U.S.C. § 2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers, such as quotas, on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. It is not required that the U.S. Government wait until it receives authorisation from the World Trade Organisation to take enforcement actions.

There have been a number of statements made by the U.S. government surrounding the imposition of significant tariffs on products imported to the United States from China, and vice versa. In particular, the U.S. government has imposed increased tariffs of up to 25% on certain products to be imported from the PRC, which were initially announced on 18 September 2018, and came into effect on 10 May 2019. The list of products that may be subject to these increased tariffs (the "**Product List**") has been published in the U.S. and is publicly available. Certain of our products are on the Product List. Subsequently, the U.S. government has announced the imposition of additional tariffs as well as exemptions on various occasions. In late 2019, the U.S. and Chinese governments announced a number of additional tariffs on goods exchanged between the countries, including U.S. tariffs on electronics, shoes and various food items. However, trade talks were taking place between the governments that could modify or reduce the existing tariffs or the tariffs that have been announced to be implemented later in 2019. It is hard to predict the changes in the two governments' tariff and trade policies with any certainty. Our Group's products are exported to our customers in the U.S. through shipment on a FOB or

CIF basis. Therefore, our Group will not be the party responsible for the payment of any such tariffs. However, if these products, or any other products we manufacture or import to the U.S. become subject to the increased tariffs, it could make our products less price competitive in the U.S. market. This could adversely impact our revenues from U.S. sales. For details, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Increased import tariffs imposed by the United States could adversely affect the demand for our products from customers in the United States and customers in the PRC who export their products to the United States." in this prospectus.

Product liability and consumer safety

Product liability law is generally not regulated by the U.S. federal law, but by state laws (both state common law and state statutory law), which vary among the 50 states. However, the laws of most states share the similarity of recognising three types of product defects: (i) manufacturing defects; (ii) design defects; and (iii) failure to warn. Parties involved in manufacturing, distributing or selling a product with any of the three defects may be liable, under a theory of negligence or strict liability, for damages caused by harm to the plaintiff's person or property other than the product itself. While liability for negligence typically arises from a defendant failing to exercise reasonable care, strict liability can attach even if a defendant did not act negligently in manufacturing or distributing the defective product at issue. In addition, an injured person may assert other product-related theories, including breach of express or implied warranty, consumer fraud, or other statutory claims. Some of these theories, such as breach of express or implied warranty, permit recovery for damage to the product itself. As with strict liability, liability for breach of warranty does not necessarily require that the defendant acted negligently; rather, a plaintiff typically may recover upon showing that a warranty existed, extended to cover the plaintiff, applied to the product at issue, and was breached, thereby causing injury to the plaintiff.

In order for a U.S. court to adjudicate product liability or other claims against a particular defendant, it must have personal jurisdiction over that defendant. Determining whether personal jurisdiction exists is a fact-dependent analysis that varies from case to case. Unless a defendant has consented to a court's jurisdiction, the outcome of the analysis generally depends on the nature and extent of the defendant's contacts with the forum in which the court sits.

While the United States has extensive laws and regulations that relate to consumer product safety, these laws and regulations generally are not material to our operations as we sell our products to trading companies and manufacturers but not ultimate consumers.

Anti-dumping

There are many trade laws in the United States that address the issue of imports that may injure or threaten U.S. industries. Under the anti-dumping laws (Title VII of the Tariff Act of 1930), the U.S. International Trade Commission ("**USITC**") can investigate whether dumping or subsidisation occurs to products brought into the U.S. market.

Whether an item is being dumped is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer's sales price in its home market, or below the cost of production. Subsidisation occurs when a government provides countervailable financial assistance to benefit the production, manufacture and/or export of a good.

There is first an assessment made by the Commerce Department of the United States on whether dumping or subsidisation has occurred, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to U.S. industry. If such threat is established, the Commerce Department of the United States will issue an anti-dumping duty and/or a countervailing duty order. When such order is imposed, the CBP is instructed to impose special duties on products subject to the order at the time of their import. After the order has been issued, there is an automatic "sunset" review, which takes place no later than five years after the order is issued. The review is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and that of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidisation investigations, the USITC may conduct a special China safeguards investigation. The USITC will determine whether articles imported from China are in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the USITC makes an affirmative determination, it proposes a remedy. The USTIC sends its report to the President of the United States and the U.S. Trade Representative. The President of the United States makes the final remedy decision.

As we are not currently the importer of record, we are not liable for compliance with the U.S. anti-dumping and countervailing duty orders applicable to our products.

EU LAWS AND REGULATIONS RELATING TO OUR PRODUCTS

Product Safety and Product Liability

Product safety

Products placed on the market in the EU are subject to general safety requirements. These requirements are included in directive 2001/95/EC of the European parliament ("**European Parliament**") and of the council of the European Union ("**Council**") of 3 December 2001 on general product safety ("**EU GPSD**"). It is important to note that the EU GPSD only applies to products that are intended for consumers or likely, under reasonably foreseeable conditions, to be used by consumers even if not intended for them.

According to the EU GPSD, only safe products may be placed on the market. This is the case when such product conforms to the specific rules of the national law of the member state of EU ("**Member State**") in whose territory the product is marketed or imported, or when it conforms with the European standards if such a standard is drawn up.

In addition, producers must:

(a) provide consumers with the necessary information so they can assess a product's inherent threat during their normal or expected product usage period, especially when this is not obvious; and

(b) take the necessary measures to avoid such threats, including but not limited to, withdraw products from the market, inform consumers, use labels, and recall products that have already been supplied to consumers.

Furthermore, distributors must:

(a) monitor the safety of products on the market and refuse to distribute products if they know these products are non-compliant; and

(b) provide the necessary documents ensuring that the products can be traced.

If the producers or distributors discover that a product is dangerous, they must notify the competent authorities and, if necessary, cooperate with them.

The EU GPSD does not apply to us, because we do not sell our products to consumers, nor do we sell them as an end product. As our customers purchase the products and import them into the EU, these customers are qualified as "producer" within the meaning of the EU GPSD and must therefore bear the obligations under the EU GPSD.

Product liability

The directive of the Council of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (85/374/EEC) ("**Product Liability Directive**") lays down the principle that the producer of a product is liable for the damage that was caused by a defect in its product.

A product is defective if it fails to provide the safety which a person is entitled to expect, taking into account all circumstances, including the presentation of the product, the reasonable use of the product, and the time when the product was put into market circulation. The injured person carries the burden of proof. He or she must prove:

(a) the actual damage;

(b) the defect in the product; and

(c) the causal relationship between the damage and the defect.

However, he or she does not have to prove the negligence or fault of the producer or importer. The producer would only not be held liable if it proves that:

(a) it did not put the product into circulation;

(b) the defect appeared after the product was put into circulation;

(c) the product was not manufactured to be sold or distributed for profit;

(d) the product was neither manufactured nor distributed during its business;

(e) the defect is caused by the product's compliance with mandatory regulations specified by the public authorities;

(f) the state of scientific and technical knowledge at the time when the product was put into circulation was insufficient to identify the defect (at that time); and

(g) the defect of a component was caused during the manufacture of the final product.

We could, as a producer, ultimately be held liable for the damage caused by a defective end product, as we are the producer of a component part of the end product. We consider this risk to be remote since we are not necessarily known to the end customer.

EU REACH regulation

The EU Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the registration, evaluation, authorisation and restriction of chemicals ("**REACH**"), establishing a European chemicals agency addresses the production and use of chemical substances and their potential impacts on human health and environment.

REACH imposes on importers and manufacturers a duty to register chemical substances and is introduced gradually, depending on the nature and the imported and/or manufactured amount of the substance. Depending on the nature and the imported and/or manufactured amount of the substance, registration was due before 1 December 2010, 1 June 2013, or 1 June 2018. Article 5 of REACH states that substances on their own, in preparations, or in articles may not be manufactured in the EU or placed on the market unless they have been registered in accordance with the relevant provisions of REACH.

REACH imposes specific obligations on manufacturers/importers of substances or preparations, suppliers of substances or preparations, downstream users, producers/importers of articles, and suppliers of articles. The obligations imposed on an economic actor by REACH are determined by its respective activities. Consequently, an economic actor that performs distinct activities will have different obligations depending on each activity.

The question whether one's activities are to be considered as a use of substances or preparations as opposed to the production of articles has important implications on the obligations under REACH.

According to the information available on the ECHA website, tantalum- and niobium-based metallurgical products, including but not limited to tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate, have been subject to full registration, which means that the tantalum- and niobium-based metallurgical products can, in principle, be placed on the EU market.

CLP Regulation

The purpose of EU Regulation No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures ("**CLP Regulation**") is to ensure a high level of protection of health and the environment by:

(a) harmonising the criteria for classification of substances and mixtures, and the rules on labelling and packaging for hazardous substances and mixtures;

(b) providing an obligation for:

  (i) manufacturers, importers and downstream users to classify substances and mixtures placed on the market;

  (ii) suppliers to label and package substances and mixtures placed on the market; and

(iii) manufacturers, producers of articles and importers to classify those substances not placed on the market that are subject to registration or notification under REACH;

(c) providing an obligation for manufacturers and importers of substances to notify the European Chemicals Agency ("**ECHA**") of such classifications and label elements if these have not been submitted to the ECHA as part of a registration under REACH;

(d) establishing a list of substances with their harmonised classifications and labelling elements at union level in Part 3 of Annex VI to the CLP Regulation; and

(e) establishing a classification and labelling inventory of substances, which is made up of all notifications, submissions and harmonised classifications and labelling elements referred to in points (c) and (d).

The CLP Regulation thus imposes distinctive obligations on manufacturers, importers or downstream users of certain substances, mixtures or articles.

According to the ECHA website, the CLP Regulation applies to at least some of our products. Since we are established outside of the EU and do not qualify as a manufacturer, an importer or downstream user, we do not have direct obligations under the CLP Regulation.

Conflict Minerals Regulation

Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for EU importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas ("**Conflict Minerals Regulation**") lays down rules for companies importing certain minerals (such as tantalum) or products containing these minerals from "*conflict-affected*" or "*high-risk*" areas.

Conflict-affected and high-risk areas means areas in a state of armed conflict or in a fragile post-conflict situation as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses.

Annex I of the Conflict Minerals Regulation lists the mineral and metals to which the Conflict Minerals Regulation applies. Based on our activities, the following are relevant:

- tantalum or niobium ores and concentrates;
- tantalum, unwrought including bars and rods, obtained simply by sintering; powder;
- tantalum bars and rods, other than those obtained simply by sintering, profiles, wire, plates, sheets, strip and foil, and other.

The Conflict Minerals Regulation requires EU companies, importing certain minerals and metals to perform a supply chain due diligence, i.e. an obligation to set up a management system with a view to identifying and addressing actual and potential links to conflict-affected and high-risk areas to prevent

or mitigate adverse impacts associated with their sourcing activities. Briefly put, EU importers must check whether the minerals or metals have not been produced in a way that funds conflict or other related illegal practices.

The Conflict Minerals Regulation only applies to EU importers. As such, it will not apply to us. However, EU importers will be required to identify the smelters and refiners in their supply chain and check whether they have the correct due diligence practices in place. Indirectly, EU importers purchasing tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate from us will have to identify us and check whether we have a correct due diligence in place, insofar we export the minerals and metals, listed in annex I of the Conflict Minerals Regulation.

Taxes

Customs duties

The EU is a customs union which covers all trade in goods and which involves the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries.

The Union Customs Code lays down the general rules and procedure applicable to goods brought into or taken out of the customs territory of the union. This code applies uniformly throughout the customs territory of the union.

Import duties are applied on the basis of the three following factors:

(a) the classification of the imported products and the corresponding tariff;

(b) the origin of the imported products; and

(c) the value of the imported products.

Tariff classification of goods

Duties legally owed where a customs debt is incurred are based on the customs tariff of the European communities ("**Common Customs Tariff**"). The Common Customs Tariff comprises, amongst others, the combined nomenclature of goods laid down in Annex 1 to the Regulation (EEC) No 2658/87 ("**Combined Nomenclature**"). For the application of the Common Customs Tariff, tariff classification of goods consists in the determination of one of the subheadings or further subdivisions of the Combined Nomenclature under which those goods are to be classified. The Combined Nomenclature subheading stated in declarations for imported goods determines which rate of customs duties applies. Every year, Annex 1 to the Regulation is updated and published.

Since the completion of the internal market, goods can circulate freely between Member States. The Common Customs Tariff therefore applies to the import of goods across the external borders of the EU.

The tariff is common to all Member States and the rates depend on the economic sensitivity of products.

The classification of goods serves other purposes than the determination of the appropriate rate of customs duties. It also indicates which other commercial policy measures apply.

The Combined Nomenclature is divided into sections, which are themselves divided into chapters, sub-chapters, headings, subheadings and further subdivisions.

The conventional rates of duty can be found in the third column of the table of Annex 1 of the Regulation (EEC) No 2658/87. The subheadings and headings pertaining to tantalum- and niobium-based metallurgical products are the following:

- In Chapter 26 "Ores, slag and ash" from Section V "Mineral products", the heading 2615;
- In Chapter 28 "Inorganic Chemicals: organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes" from Section VI "Products of the chemical or allied industries", the heading 2849.90.50; and
- In Chapter 81 "Other base metals; cermets; articles thereof" from Section XV "Base metals and articles of base metals", the headings 8103 and 8112.

Origin of the imported products

For customs purposes, the origin of goods can be non-preferential or preferential.

Preferential measures are contained: (i) in agreements which the EU has concluded with certain countries outside the customs territory; or (ii) in instruments adopted unilaterally by the EU in respect of certain countries outside the customs territory. Preferential origin means that a more favourable customs regime is applied to the originating products of those countries where bilateral agreements or unilateral instruments are in force. The application of these preferential measures implies that customs duties have a lower impact on transactions. The rules of preferential origin therefore serve the purpose of limiting customs preferences contained in relevant agreements only to the originating products of those countries benefiting from a preferential treatment. Conversely, the rules of non-preferential origin apply to the other commercial policy measures that are not aimed at applying preferential commercial measures, but discriminatory trade defence instruments. In order to benefit from the preferential tariff measures contained in the agreements which the EU has concluded, goods have to comply with the rules on preferential origin laid down in these agreements.

The rules of non-preferential origin are applied to all import transactions of products coming from those countries that do not have a tariff agreement with the EU. When goods of non-preferential origin are imported within the EU, all applicable customs duties have to be paid and other discriminatory trade defence instruments can be applied.

The International Convention on the Simplification and Harmonisation of Customs Procedures, or the Kyoto Convention signed on 18 May 1973, which was accepted on behalf of the EU community by Council Decision 77/415/EEC of 3 June 1977, contains the general principles on the application of the rule of non-preferential origin.

Value of products for customs purposes

Most customs duties are expressed as a percentage of the value of goods being declared for importation, in other words, ad valorem-duties. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty.

The primary basis for determining the value of goods is the transaction value, namely the price actually paid or payable for the goods when sold for export to the customs territory of the EU.

Where it is not possible to apply the transaction value, there are four alternative methods of establishing the customs value, taking into consideration that each of them can be applied only where the prior one is inadequate:

- the value of identical goods;
- the deductive value;
- the computed value; and
- the value based on the data available in the EU.

Value added tax

The value added tax in the EU ("**European VAT**") is a general tax on consumption exactly proportional to the price of the goods and services, however many transactions take place in the production and distribution process before the stage at which the tax is charged.

The Council directive 2006/112/EC of 28 November 2006 ("**EU VAT Directive**") sets the general principles of the common system of European VAT which the EU countries implement in their national legislation.

Taxable transactions

According to the EU VAT Directive, the four following transactions are subject to European VAT:

- the supply of goods within the territory of a Member State of the EU;
- the intra-community acquisition of goods within the territory of a Member State;
- the supply of services within the territory of a Member State; and
- the importation of goods.

For European VAT purposes, a company imports goods when it brings goods that originate outside the EU, or third countries, into the EU.

Place of taxable transactions

Import-VAT is due in the Member State where the goods are cleared for import.

If the purchaser is a taxable person for European VAT purposes with the right to deduct European VAT incurred on goods or services received, the import-VAT is normally recovered through the purchaser's periodical European VAT return in that country, as opposed to irrecoverable customs duties, which are considered as a cost. In its periodical European VAT return a taxable person will have to declare the amount of European VAT payable on supplies of goods or services it has made, and it will deduct from that amount of European VAT payable the European VAT that was incurred on goods or services received. The deduction system is intended to relieve the trader entirely of the burden of the European VAT payable or paid in the course of all his economic activities and ensures complete neutrality of taxation of all economic activities, whatever their purpose or results, provided that they are themselves subject in principle to European VAT.

Rates

The EU VAT Directive provides in its articles 93 to 130 and Annex III and IV a legal framework for the application of European VAT rates in Member States. Member States have made and continue to make wide use of the possibilities offered within this framework. As a result, the situation, in practice, is disparate and complex.

The basic rules can be described as follows:

- supply of goods and services subject to European VAT are normally subject to a standard rate of at least 15%; and
- Member States may apply one or two reduced rates of not less than 5% to goods enumerated in a restricted list.

EU TRADE RESTRICTIONS CONCERNING OUR BUSINESS ACTIVITIES

The EU has the power to impose restrictive measures between the EU and a third country under the Common Foreign and Security Policy. However, as at the Latest Practicable Date, the EU has not adopted any such restrictive measures regarding the trade between the EU and the PRC.

In addition, the EU from time to time produces a list of "crucial raw materials", containing materials that are of particular importance to the European economy and for which the EU ensures that access to these materials is adequately guaranteed, not only in the context of the negotiation of trade agreements, but also by taking action against trade-distorting measures, if necessary. The most recent edition of this list dates from 2017 and includes tantalum and niobium. However, it must be noted that the PRC is currently not the main producer (worldwide) nor the main supplier for the EU with regard to tantalum and niobium.

In the past, the EU has initiated a number of Word Trade Organisation ("**WTO**") proceedings against Chinese restrictions on the export of certain rare earth materials. Cases DS395 and DS432 were won by the EU but did not cover niobium or tantalum. A third "rare earth" case brought by the EU against the PRC at the WTO does concern, among other things, tantalum. In this case a WTO panel was established in November 2016, but it would appear things have since come to a standstill as there is no further information available concerning this case.

From the information currently available, our business activities are not affected by any EU anti-dumping or anti-subsidy duties, as there currently are no trade defence measures regarding tantalum- and niobium-based metallurgical products. There are a number of measures applicable to various steel and iron products (amongst which tungsten), but these do not involve tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate.

Furthermore, as at the Latest Practicable Date, there are no ongoing trade investigations regarding the PRC which are relevant to our business activities in respect of manufacturing and sale of tantalum pentoxide, niobium pentoxide and potassium heptafluorotantalate. There is an investigation ongoing regarding tungsten, which just as tantalum and niobium is considered a "crucial raw material" in the list of 2017, which has resulted in anti-dumping duties being levied on the import of tungsten from the PRC as an anti-dumping measure.

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

United States

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorisation or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes. The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation. There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees. United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.