

---

## REGULATORY OVERVIEW

---

PRC laws, rules and regulations affect many aspects of our business. This section summarises the material PRC laws, rules and regulations that we believe are relevant to our business and operations.

### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Foreign Investment

Some of our subsidiaries in the PRC are foreign-invested companies after the completion of the Reorganisation.

Investment activities in the PRC by foreign investors are principally governed by *The Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version)* (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List, and *Catalogue of Industries for Encouraging Foreign Investment (2022 version)* (《鼓勵外商投資產業目錄 (2022年版)》), or the 2022 Encouraging List. The Negative List, which came into effect on 1 January 2022, sets out special administrative measures in respect of the access of foreign investments in a unified manner. The Encouraging List, which came into effect on 1 January 2023, sets out the encouraged industries for foreign investment. According to the Negative List, our business is not included in it.

#### Foreign-Invested Enterprises

On 29 December 1993, the SCNPC promulgated the *PRC Company Law* (《中華人民共和國公司法》), or the Company Law, which was latest amended on 26 October 2018. On 24 December 2021, the SCNPC issued the *PRC Company Law (Amended Draft)* (《中華人民共和國公司法(修訂草案)》) and solicited comments from the public. The deadline for public feedback is 22 January 2022. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

According to the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) promulgated by the NPC on 15 March 2019 and came into effect on 1 January 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, *Sino-foreign Equity Joint Ventures of the PRC* (《中華人民共和國中外合資經營企業法》), the *Wholly Foreign-owned Enterprises Law of the PRC* (《中華人民共和國外資企業法》) and *Sino-foreign Cooperative Joint Ventures of the PRC* (《中華人民共和國中外合作經營企業法》) have been repealed since 1 January 2020.

---

## REGULATORY OVERVIEW

---

On 26 December 2019, the State Council promulgated the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020. After the *Regulations on Implementing the Foreign Investment Law of the PRC* came into effect, the *Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC* (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On 30 December 2019, the Ministry of Commerce and the State Administration for Market Regulation promulgated the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the *Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System pursuant to these measures.

### MAJOR GOVERNMENT POLICIES RELATING TO PLASTIC PRODUCTS

#### State Level

According to the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), which came into effect on 1 April 1996 with latest amendment on 29 April 2020, the state legally prohibits, restricts the production, sale, and use of non-degradable plastic bags and other disposable plastic products. The state encourages and guides the reduction of use and active recycling of disposable plastic products such as plastic bags, and promotes the application of recyclable, easily recyclable, and degradable alternative products.

According to the *Notice of the General Office of the State Council on Restricting the Production and Sales of Plastic Shopping Bags* (《國務院辦公廳關於限制生產銷售使用塑料購物袋的通知》) issued and effective on 31 December 2007, enterprises are urged to produce in strict accordance with national standards to ensure the quality of plastic shopping bags. Since 1 June 2008, the system of paid to use of plastic shopping bags has been implemented in all supermarkets, shopping malls, bazaars and other commodity retail places, and plastic shopping bags shall not be provided free of charge. Science and technology departments should increase

---

## REGULATORY OVERVIEW

---

support for the research and development of waste plastic treatment and disposal technologies, and finance and taxation departments should study and formulate tax policies to curb waste plastic pollution as soon as possible.

According to the *Opinions on Further Strengthening the Control of Plastic Pollution* (《關於進一步加強塑料污染治理的意見》) which was jointly released by the NDRC and the Ministry of Ecology and Environment and came into effect on 16 January 2020, by the end of 2020, non-degradable plastic bags should be prohibited in shopping malls, supermarkets, pharmacies, bookstores and other places in urban built-up areas of centrally-administered municipalities, provincial capitals and cities specifically designated in the state plan, as well as catering packing take-out services and various exhibition activities. And marketplace should regulate and limit the use of non-degradable plastic bags. By the end of 2022, the implementation scope should be expanded to all urban built-up areas of cities at and above the provincial-level and built-up areas of counties in coastal areas. By the end of 2025, trade markets in these areas will ban the use of non-degradable plastic bags. Regions, where conditions permit, are encouraged to stop the use of non-degradable plastic bags at trade markets in rural-urban fringe, towns, and rural areas. In addition, the Opinions also emphasise the promotion and the application of alternative products. In shopping malls, supermarkets, drugstores, bookstores and other places, non-plastic products such as cloth bags and paper bags and degradable shopping bags should be promoted. There are also relevant prohibitions and restrictions on the use of disposable plastic tableware and express plastic packaging.

On 10 April 2020, the NDRC issued the *Catalogue of Plastic Products Prohibited or Restricted From Production, Sale, and Use (Draft for comments)* (《禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)》), which aims to solicit public opinions on rules regarding the prohibited or restricted scope of plastic products. The deadline for public feedback is 19 April 2020. According to the *Catalogue of Plastic Products Prohibited or Restricted From Production, Sale, and Use (Draft for comments)*, the prohibited and restricted plastic products are listed, including non-degradable plastic bags, non-degradable disposable plastic tableware, non-degradable disposable plastic straw, disposable plastic articles for hotels and express plastic packaging. As at Latest Practicable Date, there is no formal announcement of when it will be implemented.

On 16 July 2021, the MOFCOM issued the *Administrative Measures for the Use and Report of Disposable Plastic Products (Draft for comment)* (《一次性塑料製品使用、報告管理辦法(徵求意見稿)》) and updated it as the *Administrative Measures for the Use and Report of Disposable Plastic Products in Commercial Field (Second Draft for comment)* (《商務領域一次性塑料製品使用、報告管理辦法(第二次徵求意見稿)》) on 20 January 2022. The deadline for feedback is 26 January 2022. The *Second draft for comment* encouraged the reduction of the use of disposable plastic products and scientifically promoted the application of recyclable and degradable

---

## REGULATORY OVERVIEW

---

alternative products. Commodity retail entities (such as all kinds of supermarkets, shopping malls, and trade markets that provide retail services to consumers), enterprises on e-commerce platforms (including take-out platforms) and take-out enterprises shall report the use and recycling of disposable plastic products to the competent commercial authorities in accordance with the measures. Catering operators should reasonably choose environment-friendly alternative products or disposable plastic products to provide packaged takeout services according to the food type. E-commerce operators are encouraged to cooperate with shipping and delivery enterprises to promote the application of recyclable packaging and reduce the use of single-use plastic products. As at Latest Practicable Date, there is no formal announcement of when it will be implemented.

According to the *Opinions on Accelerating the Prevention and Control of Agricultural Film Pollution* (《關於加快推進農用地膜污染防治的意見》) which was issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 4 other departments on 26 June 2019 and the *Notice on Solid progress of plastic pollution control* (《關於扎實推進塑料污染治理工作的通知》) which was issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 7 other departments on 10 July 2020, agricultural producers are supported to use biodegradable agricultural film. And to ensure that plastic pollution control is on schedule to complete by the end of 2020, encourage the implementation of territorial management responsibilities, pay close attention to key regions and promote policy, strengthen daily supervision and special inspection, and strengthen propaganda and guidance.

According to the *Notice on Further Strengthening the Control of Plastic Pollution in Commercial Field* (《關於進一步加強商務領域塑料污染治理工作的通知》) issued and implemented by the general office of MOFCOM on 28 August 2020, it would solidly conduct plastic pollution control in the commercial field to ensure that all objectives of plastic pollution control are completed on schedule, through implementing relevant regulations on plastic prohibition and restriction, clarifying the local and industrial management responsibilities, reporting on disposable plastic products, improving the supervision mechanism of law enforcement, strengthening policy support and guarantee, and strengthening publicity and guidance.

The *Development Plan of Circular Economy in the 14th Five-Year Plan* (《“十四五”循環經濟發展規劃》) which was issued and implemented by the NDRC on 1 July 2021, provided that in order to develop the circular economy and promote the economical and efficient use of resources, actions shall be taken including strengthening the sorting and recycling of plastic waste, promoting biodegradable plastics, encouraging the public to reduce the use of disposable plastic products and steadily promoting degradable plastics according to local conditions, improving standard systems, improving inspection and detection capabilities, standardising the application and treatment, and

---

## REGULATORY OVERVIEW

---

strengthening market supervision and severely crack down on illegal production and sales of plastic products ban by governments. By 2025, e-commerce express packages will no longer have secondary packaging, and the application scale of recyclable express packages will reach 10 million.

The *Action Plan for Plastic Pollution Control in the 14th Five-Year Plan* (《“十四五”塑料污染治理行動方案》), which was issued and implemented by the NDRC and the Ministry of Ecology and Environment on 8 September 2021, actively promotes the reduction of plastic production and use at the source, by developing green design standards with the focus on single-use plastic products, continuing to promote reduction in the use of single-use plastic products and scientifically and steadily promoting the plastic alternative products including degradable plastic products such as improving standard systems, issuing biodegradable plastics standards, standardising application fields, and clarifying degradation conditions and treatment methods, increasing the research of core technologies and achievement transformation of degradable plastics, continuously improving product quality and performance, and reducing application costs, promoting the orderly development of the biodegradable plastics industry, guiding the rational layout of the industry, and preventing the excessive expansion of production capacity, etc.

The *Work Plan for the Construction of “Waste-free Cities” During the 14th Five-Year Plan Period* (《“十四五”時期“無廢城市”建設工作方案》), which issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 16 other departments on 10 December 2021, states that in order to promote the formation of a green and low-carbon lifestyle and construct a “Waste-free Cities”, actions shall be taken including promoting the full chain treatment of plastic pollution, significantly reducing the use of single-use plastic products, promoting the use of biodegradable alternative products, and strengthening the recycling and utilisation of waste plastic products.

### Provincial level

#### *Jilin Province*

On 13 February 2014, the Government of Jilin Province released the Regulations of *Jilin Province on Prohibiting the Production and Sale and Providing Disposable Non-degradable Plastic Shopping Bags and Plastic Tableware* (《吉林省禁止生產銷售和提供一次性不可降解塑料購物袋、塑料餐具規定》) which came into effect on 1 January 2015. The production and sale of non-degradable plastic shopping bags and plastic tableware shall be prohibited within the administrative area of Jilin province. And it is prohibited to provide non-degradable plastic shopping bags and plastic tableware to consumers in commodity sales and commercial service activities.

---

## REGULATORY OVERVIEW

---

On 6 August 2020, Jilin Province Development and Reform Commission and Ecology and Environment Department of Jilin Province issued the *Key Work Account of Further Strengthening plastic pollution Control in Jilin Province* (《吉林省進一步加強塑料污染治理重點工作台帳》). It indicated that in order to further strengthen the control of plastic pollution in Jilin province, establish and improve the long-term management mechanism of plastic products, actions shall be taken including prohibiting the production, sale, and supply of plastic products that do not meet the regulations, phasing out non-degradable plastic packaging for express delivery, and banning the use of non-degradable plastic bags, plastic tape and disposable plastic woven bags in postal delivery outlets across the province by the end of 2025, and strengthening promotion of degradable plastic products.

### *Liaoning Province*

On 22 August 2020, the Liaoning Provincial Development and Reform Commission and the Department of Ecology and Environment of Liaoning Province jointly issued the *Implementation Opinions of Liaoning Province on Further Strengthening the Control of Plastic Pollution* (《遼寧省關於進一步加強塑料污染治理的實施意見》). By the end of 2020, in shopping malls, supermarkets, pharmacies, bookstores, and other places in the built-up areas of Shenyang and Dalian, as well as food and beverage takeaway services and various exhibition activities, the use of non-degradable plastic bags will be prohibited, and the bazaar will regulate and restrict the use of non-degradable plastics bags. By the end of 2022, the scope of prohibiting the use of non-degradable plastic bags will be expanded to the built-up areas of cities above the prefecture-level and the built-up areas of counties in coastal areas. By the end of 2025, the bazaars in the abovementioned areas will ban the use of non-degradable plastic bags.

### *Heilongjiang Province*

On 17 September 2020, the Development and Reform Commission of Heilongjiang Province and the Department of Ecology and Environment of Heilongjiang Province jointly issued the *Implementation Plans for Plastic Pollution Control in Heilongjiang Province* (《黑龍江省塑料污染治理工作實施方案》). It stipulates that by the end of 2020, in bookstores, shopping malls, supermarkets, pharmacies, and other places in the built-up area of Harbin, as well as food and beverage take-away services and various exhibition activities, the use of non-degradable plastic bags is prohibited, and the bazaars in built-up areas of Harbin regulate and restrict the use of non-degradable plastic bags. By the end of 2022, in bookstores, shopping malls, supermarkets, pharmacies, and other places in the built-up areas of cities above the prefecture-level in the province, as well as catering take-out services and various exhibition activities, the use of non-degradable plastic bags will be prohibited, and the bazaars in built-up areas of cities above the

---

## REGULATORY OVERVIEW

---

prefecture-level in the province will regulate and restrict the use of non-degradable plastics bags. By the end of 2025, the use of non-degradable plastic bags will be banned in bazaars in built-up areas of cities above the provincial-level in the province.

### *Other Key policies of Southern provinces in China*

On 10 September 2020, Shanghai Municipal Development and Reform Commission and 9 other departments issued the *Shanghai Implementation Plan on Strengthening the Control of Plastic Pollution* (《上海市關於進一步加強塑料污染治理的實施方案》) which came into effect on 1 October 2020. It stipulates that, by the end of 2020, the use of disposable plastic shopping bags shall be banned in shopping malls, supermarkets, pharmacies, bookstores and other places and all kinds of exhibition activities; the use of non-biodegradable plastic shopping bags should be banned for catering packaged takeaway services; and the use of non-degradable disposable plastic straws shall be banned in the catering industry. Besides, it provides that the use of disposable plastic shopping bags should be regulated and restricted in market by the end of 2020 and it shall be banned to use by the end of 2023, and the use of non-degradable disposable plastic tableware in the food takeout industry in Shanghai shall be reduced by more than 30% by the end of 2025.

On 20 August 2020, Guangdong Provincial Development and Reform Commission and Department of Ecology and Environment of Guangdong Province issued the *Opinions on Further Strengthening the Control of Plastic Pollution* (《關於進一步加強塑料污染治理的實施意見》) which came into effect on 1 September 2020. Guangdong Provincial Development and Reform Commission and Department of Ecology and Environment of Guangdong Province also issued the *Catalogue of Plastic Products Banned and Restricted from Production, Sale and Use in Guangdong Province (2020 Edition)* (《廣東省禁止、限制生產、銷售和使用的塑料製品目錄(2020年版)》) on 21 September 2020 which came into effect on the same day. These policies stipulate that by the end of 2020, non-biodegradable disposable plastic straws shall be banned in the catering industry across the province and non-biodegradable plastic bags shall be banned in shopping malls, supermarkets, pharmacies, bookstores and other places in built-up area of Guangzhou and Shenzhen, as well as in food and beverage delivery services and all kinds of exhibition activities. Besides, it provides that by the end of 2022, the use of non-biodegradable plastic bags shall be banned in all urban built-up areas at the prefectural level and above, as well as the built-up areas of coastal cities and counties, while the use of non-biodegradable plastic bags and disposable plastic woven bags shall be prohibited in postal and express outlets throughout the province, and by the end of 2025, the use of non-degradable disposable plastic tableware in the food takeout industry in cities above prefecture level shall be reduced by more than 30%.

On 19 November 2020, Hunan Provincial Development and Reform Commission, Department of Ecology and Environment of Hunan Province issued the *Implementation Plan for Further Strengthening the Control of Plastic Pollution in Hunan Province* (《湖南省進一步加強塑料污染治

---

## REGULATORY OVERVIEW

---

理的實施方案》) which came into effect on the same day. It stipulates that by the end of 2020, non-biodegradable disposable plastic straws shall be banned to use in the catering industry across the province, and non-biodegradable plastic bags shall be banned to use in shopping malls, supermarkets, pharmacies, bookstores and other places in build-up area of Changsha, as well as in food and beverage delivery services and various exhibitions; by the end of 2022, the implementation of the non-biodegradable-plastic-bags-ban shall be extended to the built-up areas of cities and autonomous prefecture in Hunan Province and the county-level built-up areas of Changsha, Zhuzhou and Xiangtan Cities; and by the end of 2025, the use of non-biodegradable plastic bags shall be banned in the marketplaces in the above-mentioned areas. Besides, it provides that by the end of 2022, non-biodegradable disposable plastic tableware shall be banned from the catering and dining services of all A-level tourist attractions in built-up areas of the county, and by the end of 2025, the use of non-degradable disposable plastic tableware shall be reduced by 30 percent in food takeout industry at prefectural level and above, and the use of disposable plastic tableware shall be banned for rural catering.

On 10 February 2020, Standing Committee of Hainan Provincial People's Congress issued the *Regulations on the Prohibition of Single-Use Non-Degradable Plastic Products in Hainan Special Economic Zone* (《海南經濟特區禁止一次性不可降解塑料製品規定》) which came into effect on 1 December 2020. It prohibited to produce, transport, sell, store and use some types of disposable non-degradable plastic bags, plastic tableware and other disposable non-degradable plastic products in Hainan Special Economic Zone, and the specific types of prohibited disposable non-degradable plastic products shall be listed and be published to the public. Hainan Provincial Department of Ecology and Environment issued the List of Banned Disposable Non-Degradable Plastic Products in Hainan Province(First batch) (《海南省禁止生產銷售使用一次性不可降解塑料製品名錄(第一批)》) which came into effect on 1 December 2020 and the List of Banned Disposable Non-Degradable Plastic Products in Hainan Province(Second batch) (《海南省禁止生產銷售使用一次性不可降解塑料製品名錄(第二批)》) which came into effect on 1 September 2021. These lists include disposable films, bags and tableware containing certain non-biodegradable polymer materials.

## LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND PRODUCT QUALITY

### Production Safety

According to the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》), which came into effect on 1 November 2002 with latest amendment on 10 June 2021, a manufacturing enterprise shall comply with the laws and regulations related to production safety, strengthen the production safety management, establish and improve the accountability system and relevant rules and regulations of production safety, improve the conditions of production safety and promote the



---

## REGULATORY OVERVIEW

---

establishment of production safety standards, so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as required under the Production Safety Law of the PRC and relevant laws, administrative regulations and national or industrial standards. If the company fails to comply with the provisions of the *Production Safety Law* of the PRC, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit; and if the violation constitutes any crime, the company may be subject to criminal liability.

### **Fire Control**

According to the *Fire Control Law of the PRC* (《中華人民共和國消防法》), which came into effect on 1 September 1998 with latest amendment on 29 April 2021, The Ministry of Housing and Urban-Rural Development and its local counterparts shall, in accordance with the law, conduct the fire control design review, inspection, filing and spot check of fire control facilities of construction projects to oversee the fire control of construction projects. Fire rescue departments shall carry out supervision and inspection of compliance of fire control laws and regulations by agencies, bodies, enterprises, institutions, etc. pursuant to the law.

### **Product Liability**

According to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》), which came into effect on 1 September 1993 with latest amendment on 29 December 2018, the producers and sellers shall develop and improve the internal product quality management system, and rigorously implement quality standards, quality liabilities and relevant assessment measures for each position. Quality of products shall pass standard examinations and no sub-standard products shall be used as standard ones. Producers shall be responsible for the quality of their products and assume product quality liabilities in accordance with the requirements of such law.

*The Law on Protection of the Rights and Interests of Consumers of the PRC* (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 with latest amendment on 25 October 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Consumers suffering personal injury or property damage due to production defects may be compensated by either the seller or the producer in accordance with the law. After paying compensations, sellers have the right to recover the losses from the liable producers.

---

## REGULATORY OVERVIEW

---

### Occupational Disease Prevention and Control

According to the *Law of the PRC on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), which was promulgated on 27 October 2001, became effective on 1 May 2002 and last amended on 29 December 2018, the employer shall create the working environment and conditions that conform to the national norms for occupational health and requirements for public health, provide protection facilities. The employer shall establish and improve the occupational health management system, and regularly conduct inspection and evaluation of occupational disease hazards in the workplace in accordance with the regulations of the health administrative department of the State Council.

According to the *Measures For The Declaration Of Occupational-Disease-Hazard Items* (《職業病危害項目申報辦法》), promulgated on 27 April 2012, became effective on 1 June 2012, where the employer (except coal mine) has occupational-disease-hazard factors listed in The Catalogue Of Occupational Diseases in its workplace, it shall timely and truthfully declare the occupational-disease-hazard items to the local supervision and administration department of production safety, and accept the supervision and administration of the said department. The occupational-disease-hazard factors are determined in accordance with the Catalogue Of Occupational Diseases Hazard Factors (《職業病危害因素分類目錄》). The latest Catalogue was promulgated and became effective on 17 November 2015.

### Special Equipment

According to the *Special Equipment Safety Law of the PRC* (《中華人民共和國特種設備安全法》), which came into effect on 1 January 2014, the production (including design, manufacturing, installation, retrofitting and repair), operation, use, inspection and testing of special equipment, supervision and management of special equipment safety, emergency response, rescue, investigation and handling of accidents and other relevant matters shall be in compliance with the requirements of such law.

## LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which came into effect on 26 December 1989 with latest amendment on 24 April 2014, all entities and individuals shall have the obligation to protect the environment. Enterprises, public institutions and other business operators shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them. The environmental protection administrative department under the State Council shall develop the national environmental quality standards, national pollutant discharge standards and monitoring regulations. For matters not included in the national environmental quality standards and the national pollutant

---

## REGULATORY OVERVIEW

---

discharge standards, the people's governments of provinces may develop local environmental quality standards and pollutant discharge standards; and for matters included in the national environmental quality standards and the national pollutant discharge standards, they may develop more stringent environmental quality standards and local pollutant discharge standards than the national standards. Local environmental quality standards and pollutant discharge standards shall be filed with the environmental protection administrative department under the State Council.

According to the *Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》), which came into effect on 1 September 2003 with latest amendment on 29 December 2018, the *Administrative Rules on Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), which came into effect on 29 November 1998 with latest amendment on 16 July 2017, and the *Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition)* (《建設項目環境影響評價分類管理名錄(2021年版)》), which came into effect on 1 January 2021, the *Measures on Filing Administration of Environmental Impact Registration Forms of Construction Projects* (《建設項目環境影響登記表備案管理辦法》), which came into effect on 1 January 2017, and the *Interim Measures for Acceptance of Environmental Protection on Completion of Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》), which came into effect on 20 November 2017, for construction projects with environmental impact carried out within the territory of the PRC or within other seas subject to the jurisdiction of the PRC, environmental impact assessment shall be conducted according to relevant laws. The State implements classification-based management on the environmental impact assessment of construction projects based on the impact of the construction projects on the environment. Constructors shall prepare Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form according to the Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects. The constructors shall submit the Environmental Impact Report or Environmental Impact Statement of construction projects to the competent authorities for ecology with approving power for approval, or shall complete the filing procedures for the Environmental Impact Registration Form. For construction projects the Environmental Impact Report or Environmental Impact Statement of which failed to be approved by relevant approving department, the constructors shall not commence construction. The environmental protection facilities that required to be built together with the construction projects shall be designed, constructed and put into operation simultaneously with the construction of main body. Upon completion of the construction projects that required the preparation of Environmental Impact Report and Environmental Impact Statement, the constructors shall perform inspection and acceptance procedures for the environmental protection facilities and prepare the inspection report in accordance with the standards and procedures required by the competent administrative authorities for environmental protection under the State Council. For construction projects that are constructed and put into production or use in phases, the environmental protection facilities shall also go through inspection and acceptance procedures in phases.

---

## REGULATORY OVERVIEW

---

According to the *Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), which came into effect on 1 November 1984 with latest amendment on 27 June 2017, the *Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), which came into effect on 1 April 1996 with latest amendment on 29 April 2020, the *Law of the PRC on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), which came into effect on 1 June 1988 with latest amendment on 26 October 2018, and the *Law of the PRC on Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》), which came into effect on 1 March 1997 with latest amendment on 29 December 2018 and is replaced by the *Law of the PRC on Noise Pollution Prevention and Control* (《中華人民共和國噪聲污染防治法》) on 5 June 2022, the PRC adopts the pollutant discharge permit administration system. The enterprises, public institutions and other business operators that are subject to the pollutant discharge permit administration shall discharge pollutants according to the requirements under the pollutant discharge permit and shall not discharge pollutants without obtaining the pollutant discharge permit.

*Regulation on the Administration of Permitting of Pollutant Discharges* (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and became effective on 1 March 2021 provided that, enterprises, public institutions or any other producers and operators which are subject to the administration of permitting of pollutant discharges under the law shall apply for pollutant discharge permits under the provisions of this Regulation; those pollutant-discharging entities which have not obtained pollutant discharge permits shall not be allowed to discharge pollutants. According to the *Measures for Administration of Pollutant Discharge Permit (For Trial Implementation)* (《排污許可管理辦法(試行)》), which came into effect on 10 January 2018 with latest amendment on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permitting for fixed pollution sources and specify the scope under pollutant discharge permitting administration and the application time limit. Enterprises, institutions and other producers and operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit; and those not on the list are not required to do so for the time being.

## LAWS AND REGULATIONS RELATING TO INFORMATION SECURITY AND CYBERSECURITY

On 10 June 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public

---

## REGULATORY OVERVIEW

---

interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On 14 November 2021, the Cyberspace Administration of China published the *Regulations on the Administration of Cyber Data Security (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》). The deadline for feedback is 13 December 2021. According to the *Regulations on the Administration of Cyber Data Security (Draft for Comments)*, it applies to the activities relating to the use of networks to carry out data processing activities and the supervision and management of network data security within the territory of the PRC and some activities of domestic data processing outside the PRC. As at the Latest Practicable Date, the Regulations on the Administration of Cyber Data Security had not come into effect.

On 28 December 2021, the Cyberspace Administration of China and other 12 PRC regulatory authorities jointly revised and promulgated the *Cybersecurity Review Measures* (《網絡安全審查辦法》), which became effective on 15 February 2022. According to the *Cybersecurity Review Measures*, it applies to the procurement of online products and services by operators of critical information infrastructure and data processing activities by operators of online platforms where those procurement or processing activities affect or may affect national security.

As advised by our PRC Legal Advisers, given the fact that the Group is a manufacturer of biodegradable plastic products, who itself is not an operator of critical information infrastructure or network platform, nor does its business involve data processing, therefore obligations imposed on related operators and data processors under Regulations on the Administration of Cyber Data Security (Draft for Comments) (if the above draft regulations become effective in the current form) and Cybersecurity Review Measures shall not be applicable to the Group.

## LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

### Patents

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on 12 March 1984, and latest amended on 17 October 2020 and came into effect on 1 June 2021, and the 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 15 June 2001, last amended on 9 January 2010 and became effective on 1 February 2010, the patent administrative department under the State Council is responsible for administration of patent-related work nationwide. The patent administration departments of province or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules divide patents into three types, “invention”, “utility

---

## REGULATORY OVERVIEW

---

model” and “design”. Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The patentee shall pay an annual fee commencing from the year in which the patent right is granted. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. A third-party user must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

### **Trademarks**

Trademarks are protected by the *Trademark Law of the PRC* (《中華人民共和國商標法》), or the PRC Trademark Law which was promulgated by SCNPC on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001, and 30 August 2013, respectively, and was last amended on 23 April 2019, and came into force on 1 November 2019, as well as the *Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) adopted by the State Council on 3 August 2002, subsequently amended on 29 April 2014, and became effective on 1 May 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office (商標局) under the National Intellectual Property Administration (國家知識產權局) handles trademark registrations and grants a term of ten-year from the date of registration to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used and the licensee shall guarantee the quality of such commodities, the licensee shall display the name of the licensee and the place of origin on the commodities that bear the licenced registered trademark. As to trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to other person’s trademark which has already been registered or been passed through a preliminary examination on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

---

## REGULATORY OVERVIEW

---

### Domain Names

In accordance with the *Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》), which was promulgated by the Ministry of Information Industry on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology of the PRC is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

### LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

On 17 February 2023, the China Securities Regulatory Commission (CSRC) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”), the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Filing Notice**”) and corresponding guidelines (collectively referred to as the “**Filing Measures**”). The Trial Measures shall come into force as of 31 March 2023.

According to the Filing Measures, domestic Chinese enterprises that directly or indirectly issue securities in offshore areas or list their securities for trading in offshore areas must file a record to the CSRC within 3 business days from the submission of their listing application documents to the relevant regulatory authorities where the enterprises plan to list its securities. Domestic enterprises’ direct overseas issuance of securities or trading of their securities on the overseas market refers to issuance of securities overseas or listing of their securities for trading overseas by companies limited by shares registered within the territory of the PRC. Domestic enterprises’ indirect overseas issuance of securities or trading of their securities on the overseas market refers to the overseas issuance or the overseas listing and trading of securities, in the name of an overseas enterprise, by an enterprise whose primary business and operating activities are within the territory of the PRC, based on the equity, assets, incomes, or other similar rights and interests of the domestic enterprise. Determination of indirect overseas offering and listing of domestic enterprises shall be made on a substance over form basis. In addition, the CSRC clarifies that companies that satisfy all of the following conditions shall be deemed as “Existing Applicants (存量企業)” and are not required to complete the overseas listing filing immediately, but shall

---

## REGULATORY OVERVIEW

---

complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to 31 March 2023 and is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges after 31 March 2023, and (ii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023.

Therefore, based on the above mentioned measures and our current expected timetable, if we complete the Listing before 30 September 2023, as advised by our PRC Legal Advisers, we are not required to complete the overseas listing filing.

### LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

#### Foreign Exchange

On 29 January 1996, the State Council promulgated the *Administrative Regulations on Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) which became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On 19 November 2012, the State Administration of Foreign Exchange, or the SAFE, promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on 17 December 2012 and was revised on 4 May 2015, 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 59 aims to simplify the foreign exchange approval procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of foreign exchange accounts under the direct investment, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds legally derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple



---

## REGULATORY OVERVIEW

---

capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the *Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly examine and handle the foreign exchange registration under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration under foreign direct investment through the bank.

On 10 May 2013, the SAFE promulgated the *Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors* (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on 13 May 2013, amended on 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment 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》), or the SAFE Circular 19 promulgated on 30 March 2015, coming effective on 1 June 2015 and partially abolished on 30 December 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment, unless otherwise provided by laws and regulations; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On 9 June 2016, SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds. However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practise.

---

## REGULATORY OVERVIEW

---

On 23 October 2019, SAFE promulgated the *Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on 1 January 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Pursuant to the *Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-tripping Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, which was promulgated by the SAFE and became effective on 4 July 2014, a PRC resident shall register with the local SAFE branch before he or she contributes the legitimate assets or equity interests in domestic enterprises or the legitimate offshore assets or equity interests to an overseas special purpose vehicle, or the Overseas SPV, that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, if there is any change in the basic information of the Overseas SPV, such as the PRC resident individual shareholder, name, term of business, or a significant change such as increase or reduction of capital contribution, equity transfer or exchange by the PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau. Pursuant to the *Circular of the SAFE on Further Simplifying and Improving the Direct Investment Related Foreign Exchange Administration Policies* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which was promulgated on 13 February 2015, coming effective on 1 June 2015 and partially abolished on 30 December 2019, the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes promulgated by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment related foreign exchange registration via banks.

---

## REGULATORY OVERVIEW

---

### LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION AND ANTI-MONEY LAUNDERING

#### Anti-unfair Competition

According to the *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which became effective on 1 December 1993, and last amended on 23 April 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

#### Anti-Money Laundering

According to the *Anti-money Laundering Law of the PRC* (《中華人民共和國反洗錢法》), or the anti-money laundering law, which became effective on 1 January 2007, anti-money laundering referred to that the adoption of relevant measures stipulated in anti-money laundering law to prevent money laundering activities by various means to hide or conceal the source and nature of gains and other profits from drug offences, organised crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, financial fraud, etc. Any organisation or individual shall have the right to report any discovery of money laundering to the anti-money laundering administrative authorities or the public security department. The agency that accepts the report shall maintain in confidence the informant's identity and the contents of the report.

### LAWS AND REGULATIONS RELATING TO PROFIT DISTRIBUTION

The principal law governing profit distributions by our PRC Subsidiaries is the PRC Company Law, while the profit distribution by wholly foreign-owned enterprises (“WFOE”) is further governed by Foreign Investment Law and its implementation regulations. According to the above laws and regulations, Chinese companies (including foreign-owned enterprises) may only make distributions based on the accumulated profits calculated in accordance with PRC accounting principles.

In addition, in accordance with the PRC Company Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of after-tax its profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital

---

## REGULATORY OVERVIEW

---

unless the provisions of laws regarding foreign investment otherwise provided. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. No cash distribution shall be made out of such statutory common reserve.

### LAWS AND REGULATIONS RELATING TO LEASE OF PROPERTY

Pursuant to the *Administrative Measures for Commodity Housing Tenancy* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on 1 December 2010 and came into effect on 1 February 2011, the parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) department of the people's governments of the municipalities directly under the central government of the PRC, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit.

### LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

#### Employment

The major PRC laws and regulations that govern employment relationship are the *Labour Law of the PRC* (《中華人民共和國勞動法》), or the Labour Law, promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and revised on 27 August 2009 and 29 December 2018, the *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), or the Labour Contract Law, which was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008, and then amended on 28 December 2012, and the *Implementation Rules of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on 18 September 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labour relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations,

---

## REGULATORY OVERVIEW

---

employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labour safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labour Contract Law and the Labour Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

### Social Securities

According to the *Social Insurance Law of PRC* (《中華人民共和國社會保險法》), which promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011 and was newly revised on 29 December 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5‰ shall be levied as at the date of due payment. When the payment is not made at the expiry of the prescribed period, a fine above the outstanding amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (promulgated by the State Council on 22 January 1999 and came into effect on the same day and was recently revised on 24 March 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the *Regulation on Work-Related Injury Insurance* (《工傷保險條例》) (promulgated by the State Council on 27 April 2003, came into effect on 1 January 2004 and revised on 20 December 2010), the *Regulations on Unemployment Insurance* (《失業保險條例》) (promulgated by the State Council on 22 January 1999 and came into effect on the same day), the *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》) (promulgated by the Ministry of Labour on 14 December 1994 and came into effect on 1 January 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

---

## REGULATORY OVERVIEW

---

### Housing Provident Fund

According to the *Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), implemented since 3 April 1999 and amended on 24 March 2002 and 24 March 2019, any newly established entity shall make deposit registration at the housing accumulation fund management centre within 30 days from its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days from the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management centre and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the People's Court.

## LAWS AND REGULATIONS RELATING TO TAXATION

### Enterprise Income Tax

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, as well as the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and amended on 23 April 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such

---

## REGULATORY OVERVIEW

---

income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. Enterprise income tax for key advanced and new technology enterprises supported by the State shall be at a reduced tax rate of 15%. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

### Value-Added Tax

The major PRC law and regulation governing value-added tax are the *Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) (promulgated on 13 December 1993 by the State Council, came into effect on 1 January 1994, and revised on 10 November 2008, 6 February 2016 and 19 November 2017), as well as the *Implementation Rules for the Interim Regulations 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》) (promulgated on 25 December 1993 by the Ministry of Finance, or the MOF, came into effect on the same day and revised on 15 December 2008 and 28 October 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Unless otherwise required, the rate of VAT shall be 17%. Any entities and individuals engaged in the sale of services and intangible assets shall be 6%, unless otherwise stipulated in the Regulations.

On 23 March 2016, the MOF and the State Administration of Taxation, or the SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which is amended on 11 July 2017 and on 20 March 2019, under which the rate of VAT shall be (1) 11% for providing transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right; (2) 17% for providing leasing services of tangible movables; (3) zero for cross-border taxable acts of entities or individuals in China, and the specific scope shall be separately stipulated by the MOF and the SAT; and (4) 6% for the other items excluding above items, where a taxpayer conducts any taxable act.

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting VAT Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on 1 May 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly promulgated the *Announcement of the Ministry of Finance, the State Taxation Administration and the General*

---

## REGULATORY OVERVIEW

---

*Administration of Customs on Relevant Policies for Deepening the VAT Reform* (《財政部、國家稅務總局、海關總署關於深化增值稅改革有關政策的公告》) on 20 March 2019 to make a further adjustment that the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

### Stamp Duty

According to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated on 6 August 1988 and became effective on 1 October 1988 and revised on 8 January 2011 and the *Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例施行細則》) promulgated on 29 September 1988, became effective on 1 October 1988 and was revised on 5 November 2004, all units and individuals which conclude or receive any of the following documents in the PRC shall pay stamp duty: documents issued for purchase and sale transactions, process contracting, construction project contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; documents of transfer of property title; books of accounts for business; documentation of rights or licences; other documents determined by the MOF to be taxable. Pursuant to the Table of Items and Rates of Stamp Duty, stamp duty for purchase and sale contract and technology contract shall be paid at 0.03% of the purchase and sale amount and the contract amount, respectively; stamp duty for survey and design contract of construction project shall be paid at 0.05% of the charged amount; stamp duty for construction and installation contracting contract shall be paid at 0.03% of the contracting amount; stamp duty for loan contract shall be paid at 0.005% of the loan amount; and in respect of property transfer, the contracting parties shall pay stamp duty at 0.05% of the contract price of the property transferred; stamp duty for property leasing shall be paid at 0.1% of the lease amount while taxes less than one yuan shall be charged for one yuan.

The Provisional Regulations of the PRC on Stamp Duty has been repealed by the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》), or the Stamp Duty Law, which is promulgated by the SCNPC on 10 June 2021 and comes into effect on 1 July 2022. According to the Table of Items and Rates of Stamp Duty attached to the Stamp Duty Law, stamp duty for purchase and sale contract shall be paid at 0.03% of the price, stamp duty for contracting contract shall be paid at 0.03% of the reward; and stamp duty for the transfer documents for trademark exclusive rights, work rights, patent rights, and proprietary technology use rights shall be paid at 0.03% of the contract price.



---

## REGULATORY OVERVIEW

---

### Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the *Provisional Provisions on the Collection of Educational Surtax* (《徵收教育費附加的暫行規定》), which was last amended on 8 January 2011, all entities and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax, except for entities paying additional charges for rural education pursuant to relevant regulations. The educational surtax rate is 3% of the amount of VAT, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with VAT, business tax and consumption tax. In accordance with the *Urban Maintenance and Construction Tax Law of the PRC* (《中華人民共和國城市維護建設稅法》) which was promulgated on 11 August 2020 and came into effect on 1 September 2021, any entity or individual liable to consumption tax and VAT shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax and VAT which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

### Dividend Withholding Tax

The Enterprise Income Tax Law and its implementing regulations provide that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or site in China, or that have such establishment or site but the relevant income is not effectively connected with the establishment or site, to the extent such dividends are derived from sources within China.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the 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》), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated on 20 February 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the *Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties* (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was promulgated on 3 February 2018 by the SAT and became effective on 1 April 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her or its income in twelve months to residents in third country or

---

## REGULATORY OVERVIEW

---

region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analysed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her or its status as the “beneficial owner” must submit the relevant documents to the relevant tax bureau pursuant to the 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》) which has been repealed by the Announcement of the SAT on Issuing the Measures for the Administration of Non-resident Taxpayers’ Enjoyment of the Treatment under Treaty (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》).

### **Tax on Indirect Transfer**

On 3 February 2015, the SAT promulgated the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises* (《國家稅務總局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》), or SAT Circular 7, which was amended on 17 October 2017 and 29 December 2017. Pursuant to SAT Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterised and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On 17 October 2017, the SAT promulgated the *Circular on Issues of Source Withholding Regarding Non-PRC Resident Enterprise Income Tax* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which was amended by the *Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents* (《國家稅務總局關於修改部分稅收規範性文件的公告》) promulgated on 15 June 2018 by the SAT. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises.