Set out below is a summary of the PRC laws and regulations relating to our company's business activities in the PRC:

Laws and regulations relating to foreign investment

Companies that are set up and operate in the PRC shall be subject to *Company Law of the People's Republic of China* (《中華人民共和國公司法》) ("*Company Law*"). The *Company Law* was issued by the Standing Committee of the National People's Congress on December 29, 1993 (effective as from July 1, 1994) and was newly revised by the Standing Committee of the National People's Congress on December 28, 2013 (effective as from March 1, 2014). The *Company Law* provides general regulations for companies that are set up and operate in the PRC and also applies to foreign-capital companies with limited liability. According to the *Company Law*, where there are otherwise different provisions in any law regarding foreign investment, such provisions shall prevail.

The examination and approval procedure, establishment procedure, form of contribution, change procedure, employment, tax, foreign exchange, termination and other matters relating to wholly foreign-owned enterprises shall be subject to the *Law of the People's Republic of China on Foreign-capital Enterprises* (《中華人民共和國外資企業法》) adopted by the National People's Congress on April 12, 1986, revised on October 31, 2000 and newly revised on September 3, 2016(effective as from October 1, 2016) and the *Detailed Rules for the Implementation of the Law of the People's Republic of China on Foreign-capital Enterprises* (《中華人民共和國外資企業法實施細則》) issued by the State Council of the PRC on December 12, 1990 and newly revised on February 19, 2014.

China-based investment activities of foreign investors and foreign-capital enterprises shall be subject to the *Catalog for the Guidance of Foreign Investment Industries (revised in 2017)* (《外商投資產業指導目錄（2017年修訂）》) ("*Catalog for the Guidance*") revised by the National Development and Reform Commission and the Ministry of Commerce on June 28, 2017 (effective as from July 28, 2017). The *Catalog for the Guidance* specifies catalogs of encouraged, restricted and prohibited foreign investment industries. The industries not included in the *Catalog for the Guidance* are permitted foreign investment industries. As businesses on development and application of technologies for recycling and comprehensive utilization of resources and of technologies for recycling of emissions and discharges from enterprise productions are included in the catalogs of encouraged foreign investment industries, foreign capital is allowed to access the industries according to the *Catalog for the Guidance*.

On March 7, 2003, the Ministry of Foreign Trade and Economic Cooperation, State Administration of Taxation, State Administration for Industry and Commerce of the PRC and State Administration of Foreign Exchange issued the *Interim Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《外國投資者並購境內企業暫行規定》), which took effect on April 12, 2003. On August 8, 2006, the Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission, State Administration of Taxation, State Administration for Industry and Commerce of the PRC and State Administration of Foreign Exchange jointly issued the *Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者並購境內企業的規定》) (the "M&A Provisions"), which came into force as from September 8, 2006. Afterwards, the Ministry of Commerce revised the M&A Provisions on June 22, 2009. "Domestic companies" under the M&A Provisions refer to non-foreign-capital enterprises in China. According to the M&A Provisions, any merger and acquisition of domestic companies by foreign investors shall be subject to examination and approval of the Ministry of Commerce or province-level commercial authority.

Laws and regulations relating to bidding and tendering

The methods and procedures for carrying out tendering and bidding activities shall be in strict accordance with the *Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》) (issued by the Standing Committee of the National People's Congress on August 30, 1999 and effective as from January 1, 2000), and *Regulation on the Implementation of the Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法實施條例》) (issued by the State Council on December 20, 2011, newly revised on March 1, 2017 and effective as from March 1, 2017). If the tenderer violates the above-mentioned law and regulation, it shall bear strict legal liabilities.

Laws and regulations relating to environmental protection services

The Regulatory Framework

The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) ("the Environmental Protection Law") was issued by the Standing Committee of the National People's Congress on December 26, 1989 and was newly revised by the Standing Committee of the National People's Congress on April 24, 2014 (effective as from January 1, 2015). The Environmental Protection Law sets out the legal framework for environmental protection activities in China. This legislation requires the national environmental protection scheme to be an integrated part of the national planning of economic and social development, and promotes the research and development of environmental protection technologies. The Environmental Protection Law also outlines the authorities and duties of various environmental protection regulatory agencies, authorizes the Ministry of Environmental Protection to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environmental protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

On August 1, 2013, the State Council issued *Opinions of the State Council on Accelerating the Development of Energy Conservation and Environmental Protection Industry* (《國務院關於加快發展節能環保產業的意見》). To speed up the development of energy conservation and environmental protection industry, the opinions come up with a set of guidance in regard to the basic principles, main goals and practical strategies thereof, among which, the basic principles are to implement market-oriented types of environmental protection modes such as contractual energy management, BOT and comprehensive environmental services; to promote the consumption and investment demand on environmental protection product, equipment and service; to perfect legislation and standards in respect to energy conservation and environmental protection; and to adopt reformation to stimulate the incentive of all kinds of market participants.

On December 27, 2014, the General Office of the State Council issued *Opinions of the General Office of the State Council on Implementing Environmental Pollution Control by the Third Party* (《國務院辦公廳關於推行環境污染第三方治理的意見》), which aims to promote marketization in investment and operation of public environmental facilities, innovate third parties to take part in electricity and steel industries, as well as strengthen the political guidance and support in this regard.

On December 31, 2015, the National Development and Reform Commission, the Ministry of Environmental Protection and the National Energy Administration issued *Guiding Opinions on Implementing Environmental Pollution Control by the Third Party in Coal-fired Power Plants*

(《關於在燃煤電廠推行環境污染第三方治理的指導意見》), which sets out the main operational modes for third parties to participate in the environmental pollution control with *Coal-fired* power plants, i.e. BOT mode and entrusted operational mode. The opinions also set up guidance on the content of the operational contract, as well as the allocation of liabilities between *Coal-fired* power plants and environmental service providers.

On August 9, 2017, the Ministry of Environmental Protection issued *Implementation Opinions of the Ministry of Environmental Protection on Promoting the Third-Party Treatment of Environmental Pollution* (《環境保護部關於推進環境污染第三方治理的實施意見》) (effective as from August 9, 2017). It is expressly set out in the opinions that pollutant-discharge units take up main responsibilities for pollution treatment and can legally entrust third-party treatment units to provide pollution treatment services. Pollutant-discharge units shall fulfill relevant responsibilities and obligations pursuant to environment service contracts entered into with third-party treatment units. The third-party treatment units shall undertake relevant legal responsibilities and responsibilities specified in the contracts in accordance with relevant laws and regulations and standards as well as contract requirements.

SO_2, NO_x and Dust Emissions Reduction

The Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) was promulgated by the Standing Committee of the National People's Congress on September 5, 1987 and took effect on June 1, 1988, which was newly revised on August 29, 2015 (effective as from January 1, 2016). The law outlines the regulatory framework for the prevention and control of air pollution, and promotes research on the prevention and control of air pollution, encourages and supports the application of advanced technologies for the prevention and control of air pollution as well as the development and utilization of clean energies. Specifically, the law stipulates that any newly-built or expanded fuel-burning power plant or any large or medium-scale enterprise whose SO_2 emissions exceed the prescribed pollutant emission standards or the index of national air quality control is required to install desulfurization, denitrification and dust removal appliances to reduce the discharge of SO_2, NO_x and dust.

On July 12, 2007, the National Development and Reform Commission and the Ministry of Environmental Protection jointly promulgated *the Notice of Pilot Plan of Concession of Thermal-fired Power Plant Flue Gas Desulfurization* (《關於開展火電廠煙氣脫硫特許經營試點工作的通知》). The notice provides for the framework and implementing rules of the flue gas desulfurization concession pilot plan of *Thermal*-fired power plants in the PRC and aims to improve the utilization rate of the desulfurization appliances installed at the *Thermal*-fired power plants. According to the notice, flue gas desulfurization concession means that, under coordination by the relevant governmental agency, the *Thermal*-fired power plant operation enters into a concession agreement with the professional flue gas desulfurization service provider for the right to income from flue gas desulfurization, which comprises the right to receive a special tariff for desulfurization and all other incentives for flue gas desulfurization. In return, the professional flue gas desulfurization service provider is responsible for the investment, construction, operation and maintenance and daily administration of the desulfurization appliance and for achieving the desulfurization targets set out in the concession agreement. As a general principle, the power plants are still responsible for environmental protection and shall be legally liable for non-compliance with the emissions standards, while the desulfurization service provider shall enjoy all benefits granted by the favorable policies. The power plants shall specify the desulfurization requirements applicable to the desulfurization service providers in the concession agreement. If failure to comply with the relevant emission standards is caused by the power plant, the

power plant shall be liable for the respective penalties. If failure to comply is caused for reasons relating to the desulfurization appliance, the flue gas desulfurization service provider shall be liable for breach of its contractual obligations and may be liable to compensate the power plant, for losses suffered due to the deduction of the subsidized price of desulfurization, governmental penalties or other relevant losses.

On July 29, 2011, the Ministry of Environmental Protection and General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) issued the revised *Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011)* (《火電廠大氣污染物排放標準》(GB13223-2011)) (*"Emission Standard"*), which substituted *Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2003)* and became effective on January 1, 2012. Except for key regions where a set of stricter environmental protection standards shall apply, the *Emission Standard* imposes the following requirements, among others to coal-fired power plants nationwide: (i) the maximum NO_x emissions permitted shall be 100mg/m^3(expect for the thermal power plant with W shaped flame-based boiler, the existing thermal power plant with circulating fluidized bed boiler and the thermal power plant which was completed and commissioned before December 31, 2003 or with the environmental impact assessment having been approved by the environmental protection authority, the standard shall be 200mg/m^3); (ii) the maximum SO_2 emissions permitted shall be 100mg/m^3 and 200 mg/m^3 for new power plants and existing power plants, respectively (expect for Guangxi, Sichuan, Chongqing and Guizhou, where the standards shall be 200 mg/m^3 and 400 mg/m^3 for new power plants and existing power plants respectively); and (iii) maximum fly ash emissions permitted shall be 30 mg/m^3. The *Emission Standard* defines key regions as regions which are more susceptible to serious atmospheric environmental pollution, due to either a weakening carrying capacity of environment or a fragile ecological environment, and thus requires a stricter control on the emission of pollutants. The specific scope of such key regions is subject to regulations to be issued by the Ministry of Environmental Protection.

On February 17, 2013, the General Office of the Ministry of Environmental Protection and the General Office of the National Development and Reform Commission issued *the Notice on Acceleration of Acceptance of Coal-fired Power Plants Denitrification Facilities and Implementation of Denitrification Electricity Price Policy* (《關於加快燃煤電廠脱硝設施驗收及落實脱硝電價政策有關工作的通知》). The Notice sets out that denitrification facilities must meet prescribed requirements and operate normally. The NO_x emission concentration of coal-fired units with denitrification facilities shall reach the standard corresponding with the emission limits of *Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011).* Denitrification facilities shall be installed with distributed control system (DCS) so as to realize the real-time monitor of the running status of the denitrification system. Denitrification facilities shall also be installed with flue gas online monitoring equipment which shall pass the inspection and obtain the equipment supervision qualification. In terms of implementation of denitrification electricity price policy, those coal-fired power generating units with denitrification facilities which are built and received the acceptance from national or provincial environmental protection authorities before January 1, 2013 but have not yet implement the denitrification electricity price shall execute the price from January 1, 2013. Those generating units which are built after January 1, 2013 and pass the inspection of provincial environmental protection authorities can execute the denitrified price from the time of acceptance.

On September 10, 2013, the State Council issued *the Action Plan for Air Pollution Control* (《大氣污染防治行動計劃》) ("*Action Plan*"). The *Action Plan* is put forward to speed up the

desulfurization, denitrification and dust removal project construction in key industries. The sintering machine and pelletizing production equipment of all coal-fired power plants, iron and steel enterprises, and catalytic cracking units of oil refining enterprise, non-ferrous metal smelting enterprises should be installed with desulfurization facilities. Except for the circulating fluidized bed boiler, coal-fired units should be installed with denitrification facilities. Coal-fired boilers more than 20 t/h per hour should also desulfurize. New dry-process cement kilns should implement low nitrogen combustion technology transformation.

In order to accelerate energy generation and consumption reform and promote high-efficient and clean development in coal and electricity field, on September 12, 2014, the National Development and Reform Commission, the Ministry of Environmental Protection and the National Energy Administration released *the Notice on Issuing Plan for Promotion of Energy Conservation and Emission Reduction and Reform Action in Coal-fired Power Field (2014-2020)* (《關於印發<煤電節能減排升級與改造行動計劃（2014-2020年）>的通知》, "*Plan (2014-2020)*"). The *Plan (2014-2020)* gives the key points on developing the reform of active coal-fired electricity generating units so as to satisfy air pollutants discharging standard. Coal-fired power generating units must be installed with efficient desulfurization, denitrification and dust removal facilities. Those which do not satisfy the discharging standard should speed up to upgrade environmental protection facility so that the facilities with minimum technical output which operate in full load and full time can meet the standard.

To encourage and guide ultra-low emissions, the Ministry of Environmental Protection, the National Development and Reform Commission and the National Energy Administration issued *the Notice on Executing Policy Support of Electricity Price for Coal-fired Power Plants Ultra-low Emissions* (《關於實行燃煤電廠超低排放電價支持政策有關問題的通知》) ("*Notice of Ultra-low Emissions*") on December 2, 2015, which was implemented on January 1, 2016. The *Notice of Ultra-low Emissions* sets out that coal-fired generating enterprises can obtain a feed-in tariff if the enterprises meet the ultra-low emission requirements and get acceptance from the local provincial environmental protection authorities. Ultra-low emissions refer that the air pollutants emission concentration of coal-fired power generating units basically meet the requirements of gas generating units limits, which means under the condition of 6% standard oxygen concentration, dust, SO_2 and NO_x emission concentration will not exceed 10 mg/Nm^3, 35 mg/Nm^3 and 50 mg/Nm^3, respectively. In terms of policy support of electricity price, the feed-in tariff for active generating units which operated online before January 1, 2016 is 1 cent/kwh (tax included). For new generating units which will operate online after January 1, 2016, the feed-in tariff is 0.5 cent/kwh (tax included). The feed-in tariff standard above will temporarily execute by the end of 2017.

On December 11, 2015, the Ministry of Environmental Protection, the National Development and Reform Commission and the National Energy Administration released the *Notice on Issuing the Plan for Nationwide Implementation of Ultra-low Emissions and Energy Saving Reform on Coal-fired Power Plant* (《關於印發<全面實施燃煤電廠超低排放和節能改造工作方案>的通知》). To encourage ultra-low emissions and energy saving reform, government will give those coal-fired power plants which satisfy ultra-low emissions standard with electricity price subsidies and generating reward. Meanwhile, the government will also execute the pollutant discharge fee incentives, the financial support policy and credit financing policy for the benefit of coal-fired power plants.

Laws and regulations relating to labor relations and protection for employees

In accordance with laws and regulations such as *the Law of Safe Production of the People's Republic of China* (《中華人民共和國安全生產法》), which has been implemented since November 1, 2002, and revised on August 31, 2014, effective on December 1, 2014, and Regulation on Safe *Production Licenses* (《安全生產許可證條例》), which has been issued since January 13, 2004, newly revised on July 29, 2014 and as effective from July 29, 2014, the department of work safety supervision and administration under the State Council performs comprehensive supervision and management of safe production work in the PRC. Organizations engaging in production and operation activities in the PRC must comply with the laws and regulations governing safe production, strengthen safe production management, establish and refine the production responsibility system, improve safe production conditions and ensure safe production. All entities shall be equipped with the conditions for safe production as provided in the laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the conditions for safe production may not engage in production or business operation activities. The entities shall offer education and training programs to their employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety. The employment contracts entered into between the employers and the employees shall include provisions about how to safeguard the production safety for the employees and avoid vocational injuries. Provisions of purchasing employment injury insurances for the employees shall also be included in the employment contracts.

According to the *Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) ("*Labor Contract Law*", issued by the Standing Committee of the National People's Congress on June 29, 2007 and effective as from January 1, 2008, which later revised on December 28, 2012 and came into effect as from July 1, 2013), an employer shall conclude a written labor contract with the employee. The *Labor Contract Law* has detailed provisions on the formation, fulfillment, change, cancelation and termination of labor contracts, and specifies the strict liability of employers for violation of the *Labor Contract Law*.

According to the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》) (adopted by the Standing Committee of the National People's Congress on October 28, 2010 and effective as from July 1, 2011) and *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and effective as from the same day), employers and individuals shall pay social insurance premiums, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. Employers and employees shall pay social insurance premiums on time and in full amount. Employers shall carry out social insurance registration at the local social insurance agency. Any employer who fails to carry out social insurance registration or pay social insurance premiums on time and in full amount may be punished by the social insurance administrative departments.

Apart from the general provisions concerning social insurance, specific provisions on various types of insurance are set out in *Regulations on Unemployment Insurance* (《失業保險條例》) (issued by the State Council on January 22, 1999 and effective as from the same day), *Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance* (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) (issued by the State Council on July 10, 2007 and effective as from the same day), *Opinions of the State Council on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents* (《國務院關於建立統一的城鄉居民基本養老保險制度的意見》) (issued by the State

Council on February 21, 2014 and effective as from the same day), and *Regulations on Work-related Injury Insurance* (《工傷保險條例》) (newly revised by the State Council on December 20, 2010 and effective as from January 1, 2011).

Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) was issued by the State Council on April 3, 1999 and came into effect as from the date of issue. Later, the State Council revised the *Regulations on Management of Housing Provident Fund* on March 24, 2002, which revision came into effect as from the same day. According to the Regulations, an entity shall make registration of payment and deposit of housing provident fund at the managing center of housing provident fund and then, upon verification by the managing center of housing provident fund, complete the procedures for opening the account of housing provident fund for its workers and staff at the commissioned bank. Where an entity, in violation of the Regulations, fails to make registration of payment and deposit of housing provident fund or fails to complete the procedures for opening the account of housing provident fund for its workers and staff, the managing center of housing provident fund shall order it to make correction within a specified time limit; where it fails to do so within the specified time limit, a fine between RMB10,000 and RMB50,000 shall be imposed and the managing center of housing provident fund shall order it to make payment within a specified time limit. Where it still fails to make payment within the specified time limit, an application may be filed to the people's court for compulsory enforcement.

Laws and regulations relating to property

According to the *Land Administration Law of the People's Republic of China* (《中華人民共和國土地管理法》) (issued by the Standing Committee of the National People's Congress on June 25, 1986 and newly revised on August 28, 2004, which revision came into effect as from the same day) and *Implementation Rules of the Land Administration Law of the People's Republic of China* (《中華人民共和國土地管理法實施條例》) (adopted by the State Council on December 24, 1998 and newly revised on July 29, 2014, which revision came into effect as from the same day), people's government at the county level shall register and put on record the use of land collectively owned by peasants for non-agricultural construction and issue certificates to certify the right to use the land for construction purposes. Land ownership and land use right registered according to law are protected by law upon which no entity or individual shall infringe.

According to the *Urban Real Estate Administration Law of the People's Republic of China* (《中華人民共和國城市房地產管理法》) (issued by the Standing Committee of the National People's Congress on July 5, 1994 and newly revised on August 27, 2009, which revision came into effect as from the same day), the State implements the registration and certificate issuance system for the ownership of a housing property. When a building is finished on the land for real estate development with the land use right obtained in accordance with the law, it is necessary to apply, by presenting the land use certificate, to the real estate administration department of the people's government above the county level for registration, and upon verification, the said department shall issue a house ownership certificate.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development issued the *Administrative Measures for Commodity House Leasing* (《商品房屋租賃管理辦法》), which came into effect as from February 1, 2011. The Measures has provisions for commodity house leasing, and specifies that within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate)

administrative department of the people's government of a municipality directly under the Central Government, city or county where the house leased is located. If the relevant parties fail to make registration according to relevant provisions, they may be ordered to make correction within a specified time limit or fined by the construction (real estate) administrative department of the people's government of a municipality directly under the Central Government, city or county.

Laws and regulations regarding tax

Enterprise income tax

The National People's Congress issued The *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法》) on March 16, 2007 ("*Enterprise Income Tax Law*"), which was newly revised on February 24, 2017 and came into effect as from the same day, and the State Council issued *The Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法實施條例》) ("*Implementation Regulation*") on December 6, 2007. The *Implementation Regulation* came into effect as from January 1, 2008.

According to the *Enterprise Income Tax Law* and its *Implementation Regulation*, taxpayers include resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises established in the PRC according to laws of the PRC or established according to foreign laws but under the actual control of management units located in the PRC. Non-resident enterprises refer to enterprises which are established according to foreign laws and are under the actual control of management units outside China but have set up organizations and sites within the territory of the PRC, or enterprises which have not set up organizations and sites in the PRC but have gains sourced from the PRC. According to the *Enterprise Income Tax Law* and its *Implementation Regulation*, the applicable tax rate of enterprise income tax is 25%. However, for non-resident enterprises which have not set up permanent organizations or sites in the PRC or which have set up permanent organizations or sites in the PRC but its gains from the PRC are not actually connected to the established organizations or sites, the enterprise tax rate of the part of gains sourced from the PRC shall be 10%.

The *Enterprise Income Tax Law* and its *Implementation Regulation* stipulate that high and new tech enterprises are entitled to a lower enterprise income tax rate of 15%. According to *Administrative Measures for Determination of High and New Tech Enterprises* (《高新技術企業認定管理辦法》) (jointly issued by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on April 14, 2008 and newly revised on January 29, 2016), high and new tech enterprises may apply for tax preference pursuant to *Enterprise Income Tax Law, Law of the People's Republic of China on the Administration of Tax Collection* (《中華人民共和國税收徵收管理法》) (issued on September 4, 1992 by the Standing Committee of the National People's Congress and effective as from January 1, 1993; newly revised on April 24, 2015 and effective as from the same day) and *Detailed Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection* (《中華人民共和國税收徵收管理法實施細則》) (issued on September 7, 2002 by the State Council and effective as from October 15, 2002; newly revised on February 6, 2016 and effective as from the same day). Enterprises attaining the status of a high and new tech enterprise may apply to the competent tax authority for tax reduction or exemption.

Value-added tax (VAT) and business tax

Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值税暫行條例》) was issued by the State Council on December 13, 1993 and came into

effect as from January 1, 1994 (newly revised on February 6, 2016); *Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》) was issued on December 25, 1993 by Ministry of Finance and was revised later on October 28, 2011 and came into effect as from November 1, 2011 (hereinafter jointly referred to as "*Value-added Tax Law*"). According to the *Value-added Tax Law*, all enterprises and individuals engaged in sales of goods, provision of processing, repairs and replacement services and importation of goods within the territory of the PRC are taxpayers of VAT. For those general VAT payers who sell or import goods and who are not specified as special taxpayers by the *Value-added Tax Law,* the VAT rate is 17%.

According to *Provisional Regulations of the People's Republic of China on Business Tax* (《中華人民共和國營業稅暫行條例》) (issued by the State Council on December 13, 1993 and effective as from January 1, 1994 and later on revised on November 10, 2008 and effective as from January 1, 2009) ("*Provisional Regulations of Business Tax*"), enterprises and individuals providing services as specified in the *Provisional Regulations of Business Tax*, transferring intangible assets or selling real estate within the territory of the PRC shall pay business tax. The tax amount payable shall be turnover multiplied by a specified tax rate ranging from 3% to 20% for different sectors.

On January 1, 2012, the State Council officially launched the pilot VAT reform program for the applicable businesses in several sectors. Enterprises or individuals shall pay VAT instead of business tax for businesses under the pilot program. At first the pilot program only applied to the transportation industry and "modern service industry" in Shanghai. Enterprises or individuals shall pay VAT at a rate of 6% for research and development and technical services and information technology services among the sectors under the pilot program. Later, the pilot program was extended to ten other regions including Beijing and Guangdong and was carried out nationwide for designated pilot sectors.

On March 23, 2016, the Ministry of Finance and the State Administration of Taxation issued *the Notice on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《關於全面推開營業稅改徵增值稅試點的通知》), which sets out the VAT reform pilot program shall be carried out nationally. As the attachments of the Notice, *Measures for Implementation of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《營業稅改徵增值稅試點實施辦法》), *Rules on relevant matters regarding the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《營業稅改徵增值稅試點有關事項的規定》), *Rules on Interim Policy regarding the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《營業稅改徵增值稅試點過渡政策的規定》) and *Rules on the Application of Zero Tax Rate and Tax Exemption Policies for Cross-border Taxable Activities* (《跨境應稅行為適用增值稅零稅率和免稅政策的規定》) took effect on May 1, 2016. According to *Measures for Implementation of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax,* research and development of technology in environmental protection field belongs to "modern service industry" and shall pay VAT at a rate of 6%.

Urban maintenance and construction tax and additional education tax

According to the *Interim Regulations of the People's Republic of China on Urban Maintenance and Construction Tax* (《中華人民共和國城市維護建設稅暫行條例》) (issued by the State Council on February 8, 1985 and effective as from January 1, 1985; revised on January 8, 2011 and effective as from the same day) and *Notice of the State Administration of Taxation on Issues Concerning Collection of Urban Maintenance and Construction Tax* (《國家稅務總局關於城市維護建設稅徵收問題的通知》) (issued by State Administration of Taxation on March 12, 1994 and effective as from the same

day), any enterprise or individual liable to consumption tax, VAT and business tax shall also pay urban maintenance and construction tax. Amount of urban maintenance and construction tax shall be determined as per the consumption tax, VAT and business tax paid by taxpayers and shall be paid together with consumption tax, VAT and business tax. Besides, the rates of urban maintenance and construction tax shall be as follows: 7% for a taxpayer in a city; 5% for a taxpayer in a county town or town; and 1% for a taxpayer living in a place other than a city, county town or town.

According to *Interim Provisions on Imposition of Education Surcharge* (《徵收教育費附加的暫行規定》) (newly revised by the State Council on January 8, 2011 and effective as from the same day), with the exception of organizations that pay surcharges for education undertaking in rural areas, all enterprises or individuals liable to consumption tax, VAT and business tax shall also pay education surcharges pursuant to the Provisions herein. Education surcharges shall be paid together with VAT, business tax and consumption tax based on 3% of the amount of VAT, business tax and consumption tax actually paid by respective enterprises or individuals.

According to the *Notice of the State Council on Extending the City Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-capital Enterprises* (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (issued by the State Council on October 18, 2010 and effective from December 1, 2010), *Interim Regulations of the People's Republic of China on Urban Maintenance* (《中華人民共和國城市維護建設稅暫行條例》) and *Interim Provisions on Imposition of Education Surcharge* (《徵收教育費附加的暫行規定》) became applicable to foreign-capital enterprises, foreign enterprises and foreigners as from December 1, 2010.

Dividend withholding tax

Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) set a standard withholding tax rate of 20% for dividends and other passive income sourced from non-resident enterprises in the PRC. *The Implementation Regulation of the Enterprise Income Tax Law* (《中華人民共和國企業所得稅法實施條例》) lowered the rate from 20% to 10%, which came into effect as from January 1, 2008.

The Government of the PRC and Hong Kong Government entered into 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》) on August 21, 2006. According to the Arrangement, a Chinese company shall adopt a withholding tax rate of 5% on the dividends it pays to a Hong Kong resident who directly holds not less than 25% of the Chinese company's equity. And a Chinese company shall adopt a withholding tax rate of 10% on the dividends it pays to a Hong Kong resident who holds less than 25% of its equity.

According to the *Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of 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》) issued on February 20, 2009 and effective as from the same day, where a Chinese resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty, dividends acquired by the said fiscal resident may be taxed based on the rate specified in the tax treaty, as long as the following requirements are met:

(1) The fiscal resident acquiring dividends is a company meeting the qualifications as specified in the tax treaty.

(2) The owner's equity and voting shares directly held by the fiscal resident in the Chinese resident company meet the specified percentages.

(3) The equity directly held by the fiscal resident in the Chinese resident company in any time within 12 months before acquisition of dividends meets the percentage as specified in the tax treaty.

However, if the competent tax authority of the PRC discretionarily believes that a company enjoys a lower income tax rate for a transaction or arrangement mainly aiming at obtaining the preferential taxation status, such competent tax authority shall have the right to adjust relevant tax preference.

According to *Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises* (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) issued on February 3, 2015 by the State Administration of Taxation, if a non-resident enterprise transfers the equity and other similar equities of an overseas enterprise which directly or indirectly holds Chinese taxable assets, so that its Chinese income tax burden under another indirect transfer that may arise after this indirect transfer is less than that under the same or similar indirect transfer when this indirect transfer does not take place, it may be deemed as having made commercial arrangements without reasonable purposes by the competent tax authority, and the indirect transfer shall be redefined and confirmed as direct transfer of equity and other properties of a Chinese resident.

Besides, according to *Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers* (《非居民納税人享受税收協定待遇管理辦法》) effective as from November 1, 2015, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Laws and regulations regarding foreign exchange

General foreign exchange management

According to *Regulations of the People's Republic of China on Foreign Exchange Administration* (《中華人民共和國外匯管理條例》) issued in 1996 and revised successively in 1997 and 2008 as well as various regulations issued by State Administration of Foreign Exchange and other relevant government authorities of the PRC, RMB may be converted into other currencies for settlement of current account such as trade balance and payment of interest and dividends. Prior approval by State Administration of Foreign Exchange or local branches thereof is required for conversion of RMB into other currencies and remittance of the converted foreign currency overseas for settlement of capital account (such as direct equity investment, loan and round-trip investment). Transactions made within the territory of RPC shall be paid in RMB. Chinese companies may choose to recall foreign exchange earnings from overseas or leave them overseas, save as otherwise specified. Foreign-capital enterprises may keep foreign exchange in the current account in a designated foreign exchange bank as long as it does not go beyond the limit set by State Administration of Foreign Exchange or local branches thereof. According to relevant laws and regulations, foreign exchange earnings in current account may be retained or sold to a financial institution engaged in exchange settlement or sale. Retaining foreign exchange earnings in capital account or selling them to a financial institution engaged in exchange settlement or sale shall be subject to the approval of foreign exchange authorities, save as otherwise specified in relevant laws and regulations of the state.

On May 10, 2013, the State Administration of Foreign Exchange issued *Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents* (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》), which specifies that the State Administration of Foreign Exchange or local branches shall adopt the registration system for the management of foreign-capital enterprises' direct investment in China. Organizations and individuals need to register their foreign direct investment in China with the State Administration of Foreign Exchange or local branches. The banks need to handle relevant foreign exchange services of foreign investors for their direct investment in China according to the registration data provided by the State Administration of Foreign Exchange and local branches.

According to *Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "SAFE Circular No. 13") issued on February 13, 2015 and effected as from June 1, 2015, since June 1, 2015, foreign exchange registration approval under domestic foreign direct investment and foreign exchange registration approval under overseas direct investment was canceled. The banks will review and carry out foreign exchange registration under domestic foreign direct investment as well as foreign exchange registration under overseas direct investment directly, and the State Administration of Foreign Exchange and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. Further, certain procedures for handling foreign exchange operations of direct investment was simplified:

(1) Cancel confirmation and registration of non-monetary contribution by foreign investors under domestic foreign direct investment as well as confirmation and registration of the equity of the Chinese side acquired by foreign investors.

(2) New overseas enterprises established or controlled by overseas enterprises established or controlled by domestic investors through re-investment are not required to go through the foreign exchange filing procedures.

According to *Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of 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》) issued on March 30, 2015 and effected in June 1, 2015, foreign exchange capital of foreign-invested enterprises, for which the monetary contribution has been confirmed by the foreign exchange authorities (or for which the monetary contribution has been registered for account entry) in the capital account of a foreign-invested enterprise may be settled at a bank as required by the enterprise's actual management needs. A foreign-invested enterprise shall use capital under the authentic and self-use principles within its business scope. The capital of a foreign-invested enterprise and the RMB funds obtained from the exchange settlement thereof shall not be used for the following purposes:

(1) For expenditures, directly or indirectly, beyond the enterprise's business scope or those prohibited by the laws and regulations of the PRC;

(2) For investment, directly or indirectly, in securities, unless otherwise provided by laws and regulations;

(3) For the issuance, directly or indirectly, of entrusted RMB loans (excluding those that are permitted within the business scope), repayment of inter-enterprise loans (including third party advances) and the repayment of banks' RMB loans relent to the third parties; or

(4) For the payment of relevant fees to the purchase of real estate property not for own use, except for foreign-invested real estate enterprises.

Overseas investment

The Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Return Investment via Special Purpose Companies (《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》) (the "SAFE Circular No. 37") was issued by the State Administration of Foreign Exchange on July 4, 2014 and effective as from the same day as the replacement of the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外滙管理有關問題的通知》) (the "SAFE Circular No. 75") and it specifies that:

(1) Individual residents in China shall register with the local branches of the State Administration of Foreign Exchange before contributing capital in the form of assets or equity to overseas special purpose companies directly established or controlled for the purpose of investment and financing.

(2) After the initial registration, the Chinese residents also need to register any material changes (including changes in the Chinese resident shareholders, the names and operating periods, any increase or reduction of registered capital, share transfer or swap, merger or division or similar development belonging to material changes) of the special purpose companies with local branches of the State Administration of Foreign Exchange.

According to the Notice, a failure to observe the registration formalities may lead to a fine and sanction, including constraining the capability of special purpose companies' Chinese subsidiaries in distributing dividends to their overseas parent companies.

Dividend distribution

The major laws and regulations for supervising the dividend distribution of wholly foreign-owned enterprise in China include the *Company Law of the People's Republic of China* (issued in 1993 and newly revised in 2013) (《中華人民共和國公司法》), *Law of the People's Republic of China on Foreign-Capital Enterprises* (issued in 1986 and revised in 2000) (《中華人民共和國外資企業法》) and *Detailed Rules for the Implementation of the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises in China* (issued in 1990 and newly revised in 2014) (《中華人民共和國外資企業法實施細則》).

According to the above regulations, foreign-capital enterprises in China may pay the dividend according to the cumulative profits determined in accordance with Chinese accounting standards and regulations. Unless otherwise specified under relevant foreign-investment laws, Chinese companies need to allocate at least 10% of after-tax profits as statutory surplus reserve, until the amount of statutory surplus reserve reaches 50% of the registered capital. Chinese companies shall not distribute any profit unless all the losses of previous fiscal years have been made up. The retained profits of previous fiscal years can be distributed together with the distributable profits of the current fiscal year.

Share incentive scheme

The *Measures for the Administration of Individual Foreign Exchange* (《個人外匯管理辦法》) was issued by the People's Bank of China on December 25, 2006. The *Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange* (《個人外匯管理辦法實施細則》) was issued by the State Administration of Foreign Exchange on January 5, 2007 and became effective as from February 1, 2007. According to such Measures, domestic individuals' involvement in the foreign exchange business, e.g. participating in employee stock ownership plans and stock option plans of overseas listed companies shall be subject to the approval of the State Administration of Foreign Exchange or authorized branches.

In addition, the State Administration of Foreign Exchange issued *Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) on February 15, 2012. According to the Notice, Chinese residents obtained shares or share options granted by companies listed on foreign stock exchanges according to equity incentive plans shall make registration with the State Administration of Foreign Exchange or local branches. While Chinese residents participating the equity incentive plans of overseas listed companies shall commission qualified agencies in China (may be Chinese subsidiaries of overseas publicly-listed companies or other qualified agencies selected by such Chinese subsidiaries) to handle the foreign exchange registration formalities or other formalities relating to equity incentive plans for them. Such participants shall also commission overseas trustees to handle matters like exercise of stock options, buying and selling of relevant shares or equity and fund transfer.

Besides, in the event of any material changes in the equity incentive plans or changes in Chinese agencies or overseas trustees, the agencies in China shall register relevant changes of equity incentive plans with the State Administration of Foreign Exchange. Chinese agencies shall, on behalf of Chinese residents entitled to exercise employee stock options, apply to the State Administration of Foreign Exchange or local branches the annual payment quota required for Chinese residents' exercise of employee stock options. Chinese residents' shares obtained via sales of equity incentive plans and foreign exchange funds collected through dividend distribution by overseas listed companies shall not be distributed to them before they are repatriated to the bank accounts in China opened by Chinese agencies. In addition, Chinese agencies shall report the *Registration Form for Domestic Individuals Participating in the Equity Incentive Plans of Overseas Listed Companies* to the State Administration of Foreign Exchange or local branches every quarter.

Laws and regulations relating to intellectual property rights

The *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) was adopted by the Standing Committee of the National People's Congress on August 23, 1982 and came into effect as from March 1, 1983. The Law was newly revised on August 30, 2013 and came into effect as from May 1, 2014. The Law specifies that registered trademarks are trademarks approved to be registered by the Trademark Office. A trademark registrant shall have the right to exclusively use the registered trademark, which is protected by law. A registered trademark shall be valid for 10 years from the date of approval of the registration. The exclusive right to use a registered trademark is limited to the trademark which has been registered and to the goods in respect of which the registration has been made.

The *Regulation for the Implementation of the Trademark Law of the People's Republic of China* (《中華人民共和國商標法實施條例》) was issued by the State Council on August 3, 2002 and came into effect as from September 15, 2002. Later, the Law was revised by the State Council on April 29, 2014 and came into effect as from May 1, 2014. According to the Law, the party concerned may apply to the Trademark Office for the registration, change, transfer and renewal of trademark; apply through the Trademark Office to the International Trademark Office for international registration of the trademark and handling of other relevant applications; permit others to use and pledge the trademark; commission trademark agency to handle relevant matters.

The *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) *(*the *"Patent Law")* was adopted by the Standing Committee of the National People's Congress on March 12, 1984 and came into effect as from April 1, 1985. The Law was newly revised on December 27, 2008 and came into effect as from October 1, 2009. According to the *Patent Law*, the applicant may apply to the Patent Administration Department for patent right for inventions, utility models and designs. The duration of patent right for inventions shall be twenty years and the duration of patent right for utility models or patent right for designs shall be ten years. After the grant of the patent right, except as otherwise provided by law, no entity or individual may, without the authorization of the patentee, exploit the patent.

The *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》) was issued by the State Council on June 15, 2001 and came into effect as from July 1, 2001. The Law was newly revised on January 9, 2010 and came into effect as from February 1, 2010. The Law specifies the requirements for the application, examination & approval, registration, expense and international application of patents.

The *Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》) (the "*Copyright Law*") was issued by the Standing Committee of the National People's Congress on September 7, 1990 and came into effect as from June 1, 1991. The Law was newly revised on February 26, 2010 and came into effect as from April 1, 2010. According to the *Copyright Law*, the copyright owner is entitled to a series personality rights and property rights, and the copyright has a certain term of protection and be transferred upon approval.

Laws and regulations relating to domain name

The Measures for the Administration of Internet Domain Names of China (《中國互聯網絡域名管理辦法》) was issued by the Ministry of Information Industry(now renamed the Ministry of Industry and Information Technology of the People's Republic of China) on November 5, 2004 and came into effect as from December 20, 2004. According to the Law, the establishment of any domain name root server or institution for operating domain name root servers within the territory of the PRC shall be subject to the approval of the Ministry of Information Industry. The domain name registrar shall not provide domain name registration services exceeding the approved scope of items. In case anyone establishes any domain name root server or institution for operating the domain name root servers without administrative license or establishes any domain name registry or domain name registrar without permission, the Ministry of Information Industry shall take measures to prevent it from carrying out business or providing services in accordance with the provisions of Article 81 of *the Administrative License Law of the People's Republic of China* (《中華人民共和國行政許可法》), and give it warnings or impose a fine of less than RMB30,000 according to the circumstances.