
REGULATORY OVERVIEW

Our business includes the manufacturing and sale of finished wires and cables or semi-finished wires, trading of aluminium products and sale of cable accessories. Our business is subject to supervision and regulation by the PRC authorities. This section sets out a summary of the main laws, regulations that govern our business operations in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

FOREIGN INVESTMENT

According to the Wholly Foreign-Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and revised on 31 October 2000 and 3 September 2016 and the Detailed Implementing Rules for the Wholly Foreign-Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法實施細則》) promulgated on 12 December 1990 and revised on 12 April 2001 and 19 February 2014, an application for establishing a wholly foreign-owned enterprise shall be subject to examination and approval by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (currently known as the Ministry of Commerce) before the approval certificate is issued. The record-filing administration is applied to the establishment and change of a foreign-owned enterprise that does not involve special access administrative measures prescribed by the State.

Foreign Investment Law of People's Republic of China (《中華人民共和國外商投資法》) shall come into force as of 1 January 2020, repealing simultaneously the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》).

According to the Catalogue of Industries for Guiding Foreign Investment (revised in 2017) (外商投資產業指導目錄(2017年修訂)) (the “**Catalogue**”), which was promulgated and is amended from time to time jointly by the Ministry of Commerce of the People's Republic of China (“**MOFCOM**”) and the National Development and Reform Commission (“**NDRC**”), Catalogue Encouraged Industries of Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄》(2019年版)), and the Special Management Measures for Foreign Investment Access (Negative List) (2019 Edition) (外商投資準入特別管理措施(負面清單)(2019年版)), which was jointly issued by MOFCOM and NDRC and came into effect on 30 July 2019, our products are not listed in the either Catalogue of “Encouraged Industries”, “Restricted Industries” or “Prohibited Industries”.

M&A RULE

On 8 August 2006, the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) was jointly promulgated by six ministries and commissions, including MOFCOM, CSRC and SAFE, implemented on 8 September 2006 and amended on 22 June 2009 by MOFCOM.

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According to Article 2 of the M&A Rules, “merger and acquisition of domestic enterprises by foreign investors” shall mean a foreign investor acquiring equity interest in a domestic non-foreign-invested enterprise (“**domestic company**”) or subscribing for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise (the “**merger and acquisition of equity interest**”); or, a foreign investor establishes a foreign invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then injects such assets into a foreign-invested enterprise established to operate such assets (the “**merger and acquisition of assets**”). According to Article 11 of the M&A Rules, where a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual merges with a domestic company with a related party relationship with the domestic company, enterprise or individual, such merger shall be subject to examination and approval by MOFCOM. Further, the parties involved shall not make use of domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

COMPANY LAW

Company Law of the People’s Republic of China (《中華人民共和國公司法》) promulgated on 29 December 1993 and revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 is also applicable to the foreign investment liability limited company except as otherwise provided in the law on foreign investment.

INDUSTRY REGULATIONS

According to the Regulation of the People’s Republic of China for the Administration on Production Licence of Industrial Products (Decree of the State Council of People’s Republic of China No. 440) (中華人民共和國工業產品生產許可證管理條例(國務院令440號)), Measures for Implementation of the Regulations of the People’s Republic of China on the Administration of the Production Licence for Industrial Products (Decree of the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China No. 156) (中華人民共和國工業產品生產許可證管理條例實施辦法(國家質量監督檢驗檢疫總局令156號)), the Announcement by the General Administration of Quality Supervision, Inspection and Quarantine on the implementation of Industrial Products Production Licence and 60 types of industrial products (National Quality Supervision, Inspection and Quarantine Announcement No. 102 of 2016) (國家質量監督檢驗檢疫總局關於公佈《工業產品生產許可證實施通則》和60類工業產品實施細則的公告(質檢總局公告2016年102號)), Regulations of the People’s Republic of China on Certification and Accreditation (2016 Edition) (《中華人民共和國認證認可條例(2016修正)》) and Administrative Regulations on Compulsory Product Certification (Decree of the General Administration of Quality Supervision, Inspection and Quarantine No. 117) (強制性產品認證管理規定(國家質量監督檢驗檢疫總局令117號)), etc., our Company shall obtain relevant production licences for our wire, cable and aluminium intermediate products according to the laws and regulations. Further, our products shall comply with the respective national standards, industry standards and national industrial policies.

FOCUS ON DEVELOPING PRIORITY TOPICS

The National Medium and Long Term Science and Technology Development Plan (國家中長期科學和技術發展規劃綱要) promulgated by the State Council on 7 February 2006 clarified the key research and development of large-capacity long-distance Direct Current transmission technology and Ultra-high-voltage Alternating Current transmission technology and equipment, intermittent power supply integration and transmission and distribution technology, power quality monitoring and control technology, security technology for large-scale interconnected power grids, major key technologies in the West-East Power Transmission Project, power grid dispatching automation technology, efficient power distribution and power management information technology and systems.

ENVIRONMENTAL PROTECTION

We are subject to a variety of PRC laws and regulations related to environmental protection. The major environmental regulations applicable to us include 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**”), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) and Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). Furthermore, there are national and local standards applicable to emissions control, discharges and disposal to surface and subsurface water as well as noise control.

STANDARDISATION LAW

In accordance with the Standardisation Law of the People's Republic of China (《中華人民共和國標準化法》), which was promulgated by the Standing Committee of the National People's Congress on 29 December 1988 and amended on 4 November 2017, mandatory national standards shall be formulated for technical requirements which are to protect human health, life and property safety, national security, ecological and environmental safety, and meet the basic needs of economic and social management. The State Council shall approve and promulgate, or authorise approval and promulgation of, mandatory national standards. Recommended national standards on the other hand, may be formulated for technical requirements which meet basic and common needs, and are to complement mandatory national standards. Recommended national standards shall be formulated by the standardisation administrative authority of the State Council and shall have a guiding function for the relevant industries. Where there is no recommended national standard but there is a need for unified technical requirements within a certain industry across the nation, industry standards may be formulated.

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WORK SAFETY LAW

The principal law on work safety is the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) (the “**Work Safety Law**”) promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and revised on 31 August 2014. Pursuant to the Work Safety Law, business entities must comply with this law and other laws and regulations related to work safety, strengthen work safety management, form and improve their work safety responsibility systems and work safety policies and rules, enhance work safety conditions, promote work safety standardisation, improve their work safety levels, and ensure work safety. Business entities that do not meet such standards or industrial specifications are not allowed to engage in manufacturing activities. Violation of the Work Safety Law, depending on the particular circumstances, will cause various penalties, including corrective actions, suspension of business, confiscation of illegal proceeds and fines. In serious circumstances, business licences of the business entities may be revoked. Business entities and persons directly responsible may also be subject to criminal liability.

PRODUCT QUALITY LAW

The Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the “**Production Quality Law**”) was promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018, respectively. Under the Production Quality Law, industrial products that impose possible health or safety threats to human being or property must comply with relevant national and industry standards. Production and sale of industrial products that are inconsistent with such standards and requirements are prohibited. Producers shall be responsible for the quality of the products they produce.

REGULATIONS RELATING TO TENDER AND BIDDING

Pursuant to the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the 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》), the Measures for Survey and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》) and the Provisions on Engineering Projects Which Must Be Subject to Bidding (必須招標的工程項目規定), a construction engineering project must be subject to bidding if the survey, design, construction, supervision and the purchase of important equipment and materials relating to the construction works, among others, meet certain criteria. No company or individual is permitted to evade the bidding process by splitting a project, or by any other means, for which a bid must be invited according to the law. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for survey and design, or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project.

INTELLECTUAL PROPERTY

Patent Law

According to the Patent Law of the People's Republic of China (Revised in 2008) (《中華人民共和國專利法》(2008年修正)), the patent administrative authorities of the State Council shall be responsible for administration of patent matters nationwide. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patents within their respective jurisdictions. The Chinese patent system adopts a "first come, first file" principle, which means, 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. In order to be successfully registered as a patent, an invention or a utility model must meet three criteria, namely novelty, inventiveness and practicability. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs. A third party must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, the use would constitute an infringement of the patent.

Trademark Law

Trademarks are protected by the Trademark Law of the People's Republic of China (Revised in 2019) (《中華人民共和國商標法》(2019年修正)) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulations 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) adopted by the State Council in 2002 and amended on 29 April 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for a consecutive ten-year period upon request by the trademark owner. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence agreement.

Trademark licence agreements shall be submitted to the Trademark Office for record and the Trademark Office shall publish the licencing. An unrecorded licence may not be used as a defence against bona fide third parties. Like patents, the PRC has adopted a "first come, first file" principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use 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 right already obtained by others.

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Domain Names

The MIIT promulgated Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) (the “**Domain Name Measures**”) on 24 August 2017. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first apply, first register” principle. An applicant for domain name registration shall submit truthful, accurate, and complete domain name registration information, and sign a user registration agreement with the relevant domain name registration service agency. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Pursuant to the Regulations of the People’s Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》), promulgated in 1996 and revised in 1997 and further amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is freely convertible into other currencies only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi.

According to the Circular of State Administration of Foreign Exchange on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-funded Enterprises (Hui Fa [2015] No. 19) (《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》(匯發[2015]19號)) promulgated on 30 March 2015 and effective as from 1 June 2015, the voluntary settlement of foreign exchange capital funds for foreign-funded enterprises will be implemented.

According to the Circular of State Administration of Foreign Exchange on Reforming and Regulating the Management Policies Regarding the Settlement under Capital Account (Hui Fa [2016] No. 16) (《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》(匯發[2016]16號)) promulgated on 9 June 2016 and effective as from the same date, the reform on the management of the settlement of foreign debt capital of enterprises is promoted nationwide. Meanwhile, the voluntary settlement and payment management of foreign exchange income under the capital items is standardised.

According to The Circular of the State Administration of Foreign Exchange on Further Promoting the Foreign Exchange Administration Reform and Improving the Authenticity & Compliance Check (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) promulgated on 26 January 2017 and effective as from the same date, policies on managing the remittance of profits from foreign exchange of direct investment will be further implemented and improved.

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On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (the “**Circular 75**”), according to which, a PRC resident who establishes or takes control of a special purpose company abroad is required to effect foreign exchange registration with local foreign exchange bureau. While injecting assets or equity interests that a domestic resident owns in a domestic enterprise into a special purpose company abroad (the “**SPV**”), or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. On 14 July 2014, the Circular 75 has been repealed by the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》 (“**Circular 37**”). Pursuant to Circular 37, which was promulgated by the SAFE and became effective on 14 July 2014, a PRC citizen residing in the PRC (a “**PRC Resident**”) must complete the registration with the local branch of SAFE before he or she contributes assets or equity interests in an overseas special purpose vehicle, which is directly established or controlled by the PRC Resident for the purpose of overseas investment or financing.

REGULATIONS ON TAXATION

Enterprise Income Tax

On 16 March 2007, the National People’s Congress promulgated the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was amended on 24 February 2017 and 29 December 2018. On 6 December 2007, the State Council enacted the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect on 1 January 2008 (together with the Enterprise Income Tax Law of the PRC, the “**EIT Law**”). The EIT Law provides that enterprise income tax rate shall be 25%, but certain High and New Technology Enterprises are entitled to a reduced enterprise income tax rate of 15%.

Special Tax Adjustment in EIT Law

According to EIT Law Chapter 6, where business dealings between an enterprise and its interested parties fail to comply with the independent transaction principle, and reductions are made to the taxable income or the amount of income of the enterprise or its interested parties, the tax authorities have a right to make adjustments according to a reasonable method.

Additionally, where the actual tax burden of an establishment controlled by a resident enterprise or by a resident enterprise jointly with Chinese residents, is clearly lower than an enterprise in a country (region) stipulated in the first paragraph of Article 4, and any undistributed or reduced distribution of profit does not result from reasonable operational needs, the share of the said profit attributable to the resident enterprise shall be included as income of the resident enterprise for the current period.

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The tax authorities have a right to make adjustments according to a reasonable method, where the taxable income or amount of income of an enterprise is reduced as a result of arrangements with no reasonable commercial objectives implemented by the enterprise.

In addition, a High and New Technology Enterprise may apply for the tax benefits under the EIT Law, the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), which was promulgated in 1992 and amended on 28 February 1995, 28 April 2001, 29 June 2013 and 24 April 2015, and the Detailed Rules on the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則), which first came into effect in 1993 amended on 7 September 2002, 9 November 2012, 18 July 2013 and 6 February 2016. Once an enterprise is recognised as a High and New Technology Enterprise, it may apply for tax reduction or exemption to the competent tax authorities.

Value-added Tax

The Interim Regulation 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》) was promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994, which were subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, respectively. The Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value-Added Tax (Revised in 2011) (中華人民共和國增值稅暫行條例實施細則(2011年修訂)) were promulgated by the Ministry of Finance and State Administration of Taxation on 28 October 2011 and came into effect on 1 November 2011 (together with The Interim Regulation of the People's Republic of China on Value-added Tax, the "VAT Law"). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (營業稅改徵增值稅試點方案) promulgated on 16 November 2011, since 1 January 2012 the State started to introduce the pilot scheme in the pilot regions (such as Shanghai, Beijing, Hubei Province and Jiangsu Province) in certain service industries (namely transportation and certain modern service industries) and planned to gradually extend the pilot scheme to other industries. Under the pilot scheme, VAT will be levied in lieu of business tax. Further, in addition to the standard rate of VAT of 17% and the lower tax rate of VAT of 13%, two lower tax rates of 11% and 6% is added. The tax rate of 17% shall be applicable to the lease of tangible movables and the tax rate of 11% shall be applicable to the transportation, construction and other related industries, and the tax rate of 6% shall be applicable to some other modern service industries.

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According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) (財稅[2018]32號), the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) (財政部、稅務總局、海關總署公告2019年第39號), for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

TAX PREFERENTIAL POLICIES FOR ENTERPRISES LOCATED IN WESTERN REGION

According to the Measures on Handling of Enterprise Income Tax Preferential Policies (Revision 2018) (《企業所得稅優惠政策事項辦理辦法》(2018年修訂)) and the Appendix: Administrative list For Enterprise Income Tax Incentive (2017 Edition) (《附件：企業所得稅優惠事項管理目錄(2017年版)》) (State Taxation Administration [2018] No. 23) (國家稅務總局[2018]23號), enterprise income tax of encouraged industrial enterprises located in the western region is levied at a preferential rate of 15%. The traffic, electricity, water conservancy, postal, and broadcasting and television enterprises that have been newly established before 31 December 2010 will be levied the same rate until the expiration of the original policy.

According to the Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011]58號), from 1 January 2011 to 31 December 2020, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

TAX PREFERENTIAL POLICIES FOR PROMOTING EMPLOYMENT OF THE DISABLED PEOPLE

According to the Circular on Preferential Value-Added Tax Policies for Promoting Employment of the Disabled (《關於促進殘疾人就業增值稅優惠政策的通知》) (Cai Shui [2016] No. 52) (財稅[2016]52號), for the entities and individually owned businesses employing the disabled (hereinafter referred to as "taxpayers" in short), taxation authorities shall adopt the method of refund immediately after payment of VAT with a limit based on the number of the disabled actually employed.

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The specific limit of VAT refundable for each disabled person employed by taxpayers shall be determined by the taxation authorities at the county level or above as quadruple the minimum monthly wage standards applicable in the districts or counties (including counties or county-level cities, hereafter the same) as approved by the people's governments of provinces (including autonomous regions, centrally-administered municipalities or cities with independent planning status, hereafter the same).

According to the Notice on Issuing the Administrative Measures for the Collection and Use of Employment Security Levies for the Disabled (《關於印發《殘疾人就業保障金徵收使用管理辦法》的通知》) (Cai Shui [2015] No. 72) (財稅[2015]72), within 3 years from the date of registration of industry and commerce administration, small and micro enterprises that have not reached the required proportion of employment of disabled persons and have a total of fewer than 20 employees (including 20 persons) will be exempted from the security levies.

LAWS RELATED TO EMPLOYMENT OF PEOPLE WITH DISABILITIES

The Law of the People's Republic of China on the Protection of Disabled Persons (《中華人民共和國殘疾人保障法》) (“**Disabled People Protection Law**”), which was implemented on 28 December 1990 and amended on 24 April 2008 and 26 October 2018, primarily aimed at regulating civil rights and welfare of people with disabilities. Pursuant to the Disabled People Protection Law, persons with disabilities are those who, in their mental, physiological or human structure, have lost or become abnormal in some form of tissue or function or have lost, in whole or in part, their ability to engage in certain activities in a normal manner. The State shall, in accordance with law, grant preferential tax treatment and tax refund to employing units and disabled people engaged in self-employed activities that employ disabled people at or above the prescribed proportion of disabled persons, and give them support in production, marketing, technology, capital, materials and places.

The State shall protect the property ownership and operational autonomy of welfare units for people with disabilities, and their lawful rights and interests shall not be infringed upon.

People with disabilities shall not be discriminated against in recruitment, conversion, promotion, evaluation of job titles, remuneration for work, living benefits, rest and vacation, social insurance, etc..

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According to the Regulations on the Employment of the Disabled (State Council Order No. 488) (《殘疾人就業條例》(國務院令第488號)), which promulgated in February 2007, and effective from May 1, 2007. An employer shall arrange a certain proportion of the disabled for the employment and provides suitable kind of jobs and posts for them. The proportion for an employer to hire disabled people shall not be lower than 1.5% of the total number of its staff members in service. The specific proportion shall be prescribed by the local people's government of the province, autonomous region, or municipality directly under the Central Government. In case the number of disabled person hired by an employer is less than the proportion as prescribed by the people's government of the local province, autonomous region, or municipality directly under the Central Government, the employer shall pay the employment protection fund for the disabled. Furthermore, the Regulation on the Employment of the Disabled provides the following:

- (i) Welfare enterprises for the disabled, blind massage agencies and other welfare entities (hereinafter referred to as employers that hire the disabled in a centralised manner) established by governments and the society according to law shall arrange for the employment of the disabled in a centralised manner.

The employers that hire disabled people in a centralised manner shall be identified according to the relevant provisions of the state.

- (ii) The number of the disabled employees engaging in full-time jobs for an employer that hires the disabled in a centralised manner shall account for 25% or more of the total number of its full-time employees.
- (iii) Employers shall conclude labour contracts or service agreements with the disabled whom they employ according to law.
- (iv) For the purpose of this Regulation, “employment of disabled persons” refers to the employment of the disabled persons who have reached the statutory age for employment and have request for paid jobs.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Laws Related to Employment of People with Disabilities

The Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (“**Labour Contract Law**”), which was implemented on 1 January 2008 and amended on 28 December 2012, primarily aimed at regulating employer/employee rights and obligations, including matters with respect to the formation, performance and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts shall be in writing if labour relationships are to be or have been formed between enterprises/institutions and individuals. Enterprises and institutions shall not force employees to work beyond the time limit and employers shall pay the employees for overtime work in accordance with national regulations. In addition, labour wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely.

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According to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on 5 July 1994 and amended on 27 August 2009 and amended on 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate labour on labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall meet State-fixed standards.

Social Insurance and Housing Funds

As required under the Regulations on Work-Related Injury Insurance (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法) implemented on 1 January 1995, the Decision of the State Council on Establishment of a Unified Basic Pension System for Enterprise Staff and Workers (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, Decision of the State Council on Setting up the Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on 14 December 1998, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999 and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) implemented on 1 July 2011 and amended on 29 December 2018 enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance.

In accordance with the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent housing accumulation fund management centre and shall, after the housing accumulation fund management centre has checked the registration, open the house accumulation fund account for its employees at the entrusted bank. Enterprises are also required to pay and deposit housing funds in full and on time.