OVERVIEW

Our operations are principally located in Hong Kong and the PRC and our products exported to customers in Europe, including the United Kingdom, France, Germany and the Netherlands (the "**European Countries**") represented approximately 63.9%, 55.3%, 56.3% and 59.3% of our total revenue during the Track Record Period, respectively. Our sales to the European Countries are subject to these jurisdictions' regulations and legislation, and the regulations relevant to our business are summarised in this section. To the extent that our products are covered by the EU anti-dumping duties described in more detail below, imports into the European Countries will be subject to the additional applicable duties. This section sets out a summary of certain aspects of the laws and regulations in Hong Kong and the PRC and trade related laws and regulations in the European Countries. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

HONG KONG

Laws and regulations in relation to our Group's business operation

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), which codifies the law in relation to the sale of goods, provides that:

(a) where there is a contract for sale of goods by description, there is an implied condition that the goods shall correspond with the description;

(b) where the seller sells goods in the course of business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition: (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(c) where there is a contract for sale by sample, there is an implied condition that: (i) the bulk shall correspond with the sample in quality; (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), any right, duty or liability arising under a contract of sale of goods by implication of law may be negative or varied by express agreement or by the course of dealing between the parties or by usage if the usage is such as to bind both parties to the contract.

Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the "**Consumer Goods Safety Ordinance**") imposes a statutory duty on manufacturers, importers and suppliers of certain consumer goods (excluding for example pharmaceutical products) to ensure that the consumer goods supplied are safe and for incidental purposes.

Under the Consumer Goods Safety Ordinance, a person who supplies, manufactures or imports into Hong Kong consumer goods which do not comply with the general safety requirement for consumer goods (or where a standard has been approved by the Secretary for Commerce and Economic Development to apply to consumer goods, the approved standard for the particular consumer goods) commits an offence. General safety requirement in respect of consumer goods means that such goods are reasonably safe having regard to all of the circumstances, including, among others, the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed.

Certain defences are available under the Consumer Goods Safety Ordinance. One of the defences is that the relevant person supplied the consumer goods in the course of carrying on a retail business and at the time he supplied the consumer goods, he neither knew nor had reasonable grounds for believing that the consumer goods failed to comply with the general safety requirement.

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the "**Consumer Goods Safety Regulation**") requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods (excluding pharmaceutical products) must be given in both Chinese and English.

Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods, any package of the consumer goods, or on a label securely affixed to the package, or a document enclosed in the package.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "**Trade Descriptions Ordinance**") prohibits false trade description, false, misleading or incomplete information, false statements etc., in respect of goods offered in the course of trade.

Section 2 of the Trade Descriptions Ordinance provides, inter alia, that "trade description" in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Laws and regulations in relation to transfer pricing

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") is a statute enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

Section 20(2) of the IRO provides that where a resident person conducts transactions with a "closely connected" non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the "**IRD**") wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

The IRD issued a Departmental Interpretation and Practice Notes No. 46 which provides clarifications and guidance on the IRD's views on transfer pricing in December 2009 and further issued a Departmental Interpretation and Practice Notes No. 48 in March 2012 which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the IRD.

Furthermore, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") was gazetted on 13 July 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the base erosion and profit shifting package promulgated by the Organisation for Economic Co-operation and Development such as the transfer pricing documentation requirements. In particular, section 50AAF of the Amendment Ordinance codifies the arm's-length principle for provision between associated persons. Section 82A of the Amendment Ordinance stipulated additional tax in certain cases, including that a person is liable to be assessed to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length amount for the transaction(s).

As the Amendment Ordinance was gazetted on and effective from 13 July 2018, the risk of any transfer pricing adjustments imposed on Tunbow Group by it only arises from the related party transactions with Tunbow (Huizhou) or Town Ray (Huizhou) from 13 July 2018 onwards.

Our Directors, based on the advices given to them by an independent tax consultant, are given an understanding that Tunbow (Huizhou) yielded a mark-up on total cost ("**MTC**") in FY2018 which is within the interquartile range of the comparable companies. Therefore, the corresponding risk of transfer pricing adjustment from Hong Kong perspective is limited. Town Ray (Huizhou) started operation in October 2018. It yielded a MTC in FY2018 which is above the interquartile range of the comparable companies. In the event where transfer pricing adjustments are imposed on Tunbow Group by the IRD,

our Group may apply for corresponding adjustments in China in accordance with the relief provision in the Associated Enterprises Article of the Double Tax Agreement between China and Hong Kong. The applicable profits tax rate in Hong Kong applicable to Tunbow Group for the upward profit adjustments is 16.5% while the corporate income tax rate in China applicable to Tunbow (Huizhou) and Town Ray (Huizhou) is 25% in China. The potential additional tax payable of Tunbow Group in Hong Kong would be offset by the potential tax relief obtained by Tunbow (Huizhou) or Town Ray (Huizhou) in China.

Overall, based on the advices of the independent tax consultant, our Directors consider that the risk of additional tax payment and the statutory interest at our Group level during the Track Record Period is remote.

THE PRC

Laws and regulations on establishment and operation of foreign invested enterprises

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 December 1993 and was latest amended on 26 October 2018.

The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practises, taxation, labour matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Wholly Foreign owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Rules of 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) (the "**Implementation Rules**"), which were promulgated by the Ministry of the Foreign Economic Relation and Trade of the PRC on 12 December 1990 and amended by the PRC State Council (the "**State Council**") on 12 April 2001 and 19 February 2014, and the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprise (外商投資企業設立及變更備案管理暫行辦法) (the "**Provisional Measures**"), which were promulgated by the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") and came into force on 8 October 2016, and were amended on 30 July 2017 and 29 June 2018, respectively. Under the Wholly Foreign-owned Enterprise Law, the Implementation Rules and the Provisional Measures, applications for the establishment of the foreign-invested enterprise which is subject to the implementation of the Special Administrative Measures for Access of Foreign Investment (the "**Negative List**"), shall be submitted for examination and approval by the State Council department in charge of foreign economic relations and trade, or a body authorised by the State Council. In the event of a division, merger or other major changes to such a foreign-invested enterprise, it shall report to, and seek approval from, the examining and approving body and carry procedures for registration of such changes with the industrial and commercial administrative authorities. Establishment or other major changes of foreign-invested enterprises which are not subject to the implementation of Negative List shall be only subject to filling administration.

The latest version of the Catalogue for the Guidance of Foreign Investment Industries (the "**Catalogue**") (外商投資產業指導目錄) promulgated by the National Development and Reform Commission (the "**NDRC**") and the MOFCOM on 28 June 2017, and implemented on 28 July 2017, and the Negative List (2019 Edition) (外商投資準入特別管理措施(負面清單) (2019版)) implemented on

30 July 2019, provide guidance for market access of foreign capital by categorising industries into encouraged industries for foreign investment, restricted industries for foreign investment, and prohibited industries for foreign investment. Those industries which are not stipulated in the Catalogue and the Negative List are deemed as "permitted industries for foreign investment.

On 15 March 2019, the SCNPC promulgated the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which will come into force as of 1 January 2020. Foreign Investment Law, upon taking effect, will repeal simultaneously the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law and the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures. Subject to the Foreign Investment Law, foreign invested enterprises may keep their original organisational forms for five years after the effectiveness of the present Law. And the specific implementing measures shall be developed by the State Council.

Laws and regulations on foreign exchange

Foreign Exchange Administration

The principal laws and regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例), latest amended on August 5, 2008. Under these regulations, the RMB is freely convertible for current account items, including the trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of the State Administration of Foreign Exchange ("**SAFE**") is obtained and prior registration with SAFE is made.

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) ("**Circular 19**") promulgated on 30 March 2015 and came into force on 1 June 2015, the system of willingness-based foreign exchange settlement is adopted for the foreign exchange capital of foreign-invested enterprises. A foreign-invested enterprise shall use capital under the authentic and self-use principles within its business scope.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration 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) promulgated on 13 February 2015 and implemented on 1 June 2015, two administrative approval procedures, respectively the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment, are now cancelled.

Laws and regulations on taxation and dividend distribution

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (中華人民共和國企業所得稅法, the "**EIT Law**") promulgated by the NPC on 16 March 2007 first becoming effective on 1 January 2008 and latest revised on 29 December 2018 and the Implementation Rules for Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施細則, the "**EIT Rules**") promulgated by the State Council on 6

December 2007 and becoming effective on 1 January 2008, taxpayers include both resident enterprises and non-resident enterprises. "**Resident Enterprises**" means enterprises lawfully incorporated in China, or lawfully incorporated pursuant to the laws of foreign countries (regions) but whose actual management organisation is located in China. "**Non-resident Enterprises**" means enterprises lawfully incorporated in accordance with the laws of foreign countries (regions) with no actual management organisation China, but having an office or premises established in China, or having income derived from China although it does not have an office or premises in China.

Value Added Tax

The State Council promulgated the Provisional Regulations of the PRC on Value-Added Tax (中華人民共和國增值税暫行條例, the "**Provisional Regulations on Value-Added Tax**") on 13 December 1993 which was first implemented on 1 January 1994, but last revised on 19 November 2017. The Ministry of Finance (the "**MOF**") first promulgated and implemented the Implementation Rules for the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值税暫行條例實施細則, the "**Implementation Rules for Value-Added Tax**") on 25 December 1993 which was revised on 15 December 2008 and 28 October 2011.

Pursuant to the Provisional Regulations on Value-Added Tax and the Implementation Rules for Value-Added Tax, units and individuals engaged in sales of goods, provision of processing, repair and replacement services and importation of goods in the territory of PRC, are considered as Value-Added Tax (the "**VAT**") taxpayers, and shall therefore pay VAT.

Pursuant to the Notice of the MOF and the State Administration of Taxation (the "**SAT**") on the Adjustment to Value-added Tax Rates (財政部、國家税務總局關於調整增值税税率的通知) issued on 4 April 2018 and came into effect on 1 May 2018, the tax 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.

Dividend Distribution

The PRC laws and regulations regulating dividend distribution of foreign-invested enterprises mainly include the PRC Company Law, the Law of the PRC on Sino-foreign Equity Joint Ventures and the Regulations for the Implementation of the Law of the PRC on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law and the Implementation Rules for the Wholly Foreign-owned Enterprises Law.

Pursuant to the PRC Company Law, a company shall retain 10% of the profits as the company's statutory reserve funds when the company distributes the profits after tax of the then financial year, and the retention can be stopped upon the company's statutory reserve funds has accumulated up to 50% of the registered capital of the company. If the statutory reserve funds of the company are not sufficient to cover its losses in previous years, the company shall use the profits of the current year to cover the losses before retaining statutory reserve funds. The remaining after-tax profits after the losses have been made up for and the statutory reserve funds has been retained can be distributed to its shareholders.

Pursuant to the Implementation Rules, wholly foreign-owned enterprises in China shall, after payment of income taxes on their profits pursuant to the tax laws of China, retain at least 10% of their after-tax profits each year as reserve funds, and the retention can only stop when the cumulative amount

of the reserve funds reaches 50% of the registered capital. These reserve funds cannot be reallocated as cash dividends. In addition, wholly foreign-owned enterprises should retain some of their after-tax profits as staff incentive and welfare funds, the proportion of which may be determined by themselves.

Besides, pursuant to the EIT Law, dividends paid to non-resident enterprises and other passive income from China should be taxed at the standard rate of 20% withholding tax. The EIT Rules reduced the tax rate from 20% to 10%.

Pursuant to the Arrangements between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Tax Evasion on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) signed by the Mainland China and the HKSAR on 21 August 2006 and the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses of Tax Treaties (國家税務總局關於執行税收協定股息條款有關問題的通知) promulgated and implemented by the SAT on 20 February 2009 the withholding tax rate for dividends paid by a Chinese resident company to a Hong Kong resident should be no more than 5%, with the requirement that the Hong Kong resident must be a company that has been holding at least 25% of the Chinese company's equity interests for 12 consecutive months before receipt of the dividends.

Pursuant to the Administrative Measures for Non-Resident Taxpayers to Enjoy the Treatment under Tax Treaties (非居民納税人享受税收協定待遇管理辦法) promulgated by the SAT on 27 August 2015 and implemented on 1 November 2015, which is latest revised on 15 June 2018, where a non-resident taxpayer who receives dividends from a Chinese resident enterprise satisfies the terms and conditions for the treatment under tax treaties, it may, at the time of tax declaration, or through withholding agent, enjoy the treatment of the tax treaties and accept the subsequent administration of the tax authority.

Transfer Pricing

Pursuant to the EIT Law, related-party transactions shall comply with the arm's length principle (獨立交易原則). If the related-party transaction fails to comply with the arm's length principle, which also results in the reduction of the taxable income or earnings, the taxation authority shall make adjustments to its transfer pricing.

According to the Announcement of the State Administration of the Taxation on Relevant Matters relating to Improving the Filing of Related-Party Transactions and the Management of Contemporaneous Document (國家税務總局關於完善關聯申報和同期資料管理有關事項的公告) (the "**SAT Circular 42**"), any resident enterprise subject to tax collection on an actual profit basis and any non-resident enterprise which has establishments or offices in the PRC and reports and pays enterprises income tax shall, together with annual income tax filing, submit the Annual Report disclosing its transactions with related-parties. The SAT Circular 42 also requires enterprises to prepare contemporaneous documentation reports based on a tax year which includes master files, local files and special issue files, and submit the files in accordance with the requirements of the tax authorities.

According to the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (特別納税調查調整及相互協商程式管理辦法) (the "**SAT Circular 6**") which was promulgated by the SAT on 17 March 2017, partly amended on 15 June 2018 and effective as of 15 June 2018, the tax authorities exercise special tax adjustment monitoring and management of enterprises via review of the reporting of related-party transaction, management of contemporaneous

documentation, profit level monitoring and other means. If the enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment proceeds according to the relevant provisions. Besides, pursuant to the tax treaties signed by PRC, the SAT may activate mutual consultation procedures either upon application by an enterprise or upon request by the competent tax authority of the counter-party of a tax treaty to consult and negotiate with the latter, so as to avoid or eliminate international double taxation triggered by special tax adjustment.

Laws and regulations on environmental protection and hazardous substances

Environmental Protection Law

The Environmental Protection Law of the PRC (中華人民共和國環境保護法, the "**Environmental Protection Law**") established the legal framework for China's environmental protection efforts. It was promulgated and implemented by the SCNPC on 26 December 1989 and amended on 24 April 2014.

Pursuant to the Environmental Protection Law, any organisation that discharges pollutants shall take effective measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues and etc. generated in the production, construction or other activities.

Environmental Impact Assessment of Construction Projects

The Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法, the "**Environmental Impact Assessment Law**") was promulgated by SCNPC on 28 October 2002 and implemented on 1 September 2003, and latest revised on 29 December 2018. Pursuant to the provisions of the Environmental Impact Assessment Law, the Chinese government put forth the environmental impact evaluation system to construction projects and implemented classification management according to the degree of environmental impact of the construction project.

In the event of possible significant environmental impact, an environmental impact report shall be prepared for comprehensive assessment of the environmental impact. In the event of possible slight environmental impact, an environmental impact statement shall be prepared for analysis or specific assessment of the environmental impact. In the event of minimal environmental impact which does not warrant an environmental impact assessment, an environmental impact registration form shall be completed. Where the environmental impact assessment documents of a construction project are not examined or not approved after examination by the relevant approval department pursuant to law, the construction unit shall not commence the construction of the project. Even after the approval of the environmental impact assessment documents, if the construction project's nature, scale, location or production craft, or the measures taken for prevention and control of pollution and for prevention of ecology damage have significantly changed, the construction unit should resubmit the environmental impact assessment documents of the construction project for approval.

Environmental Protection Management of Construction Projects

The State Council promulgated and implemented the Regulations on Environmental Protection Management of Construction Projects (建設項目環境保護管理條例) on 29 November 1998, which was revised on 16 July 2017 and implemented on 1 October 2017. The Former Ministry of Environmental

Protection of the PRC promulgated the Provisional Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收暫行辦法) on 20 November 2017.

Upon completion of a construction project, the construction unit shall be responsible to conduct the acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report. The construction unit shall, in the acceptance inspection process of the environmental protection facilities, inspect, monitor and record the construction and testing status of the construction project's environmental protection facilities truthfully, and shall not commit any fraud.

Pollutant Discharge License and Environmental Protection Tax

The Ministry of Environmental Protection promulgated and implemented the Interim Regulations on the Management of Pollutant Discharge License (排污許可證管理暫行規定) on 23 December 2016 and the Administrative Measures for Pollutant Discharge Licensing (for Trial Implement) (排污許可管理辦法 (試行)) on 10 January 2018 to regulate the application, issuance, implementation, supervision and other acts of Pollutant Discharge License.

Environmental protection authorities, in accordance with the application and commitment of pollutant discharging units, through the issuance of legal document in the form of Pollutant Discharge License, lay out the environmental management requirements, regulate and restrict the pollutant discharge behaviours of discharging units in accordance with laws and regulations, and implement the environmental administration and supervision on discharging units according to the Pollutant Discharge License.

According to the Notice of Guangdong Provincial Department of Ecology and Environment on Stopping Issuing the Pollutant Discharge License of Guangdong Province and Other Related Matters (廣東省生態環境廳關於停止核發廣東省排污許可證等有關事項的通知, the "**Stopping Notice**"), the administrative approval of Pollutant Discharge License of Guangdong Province has been cancelled since 13 August 2019, and the Pollutant Discharge License of Guangdong Province will not be issued anymore. Meanwhile, the Guangdong Provincial Department of Ecology and Environment will accelerate the issuance of National Pollutant Discharge License and organise pollutant discharge units to apply for National Pollutant Discharge License in a timely manner.

According to the Classification Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2017 Edition), enterprises whose production processes involve industrial furnaces shall apply for National Pollutant Discharge License by the year of 2020. As Town Ray (Huizhou)'s production processes involve industrial furnaces, it shall apply for National Pollutant Discharge License by the year of 2020.

Based on the Stopping Notice, our PRC Legal Advisers are of the view that the non-renewal of the Pollutant Discharge License of Guangdong Province for Town Ray (Huizhou) does not violate the laws and regulations of the PRC. As advised by our PRC Legal Advisers, basing on the Stopping Notice and our PRC Legal Advisers' inquiry to Huizhou Ecology and Environment Bureau, Town Ray (Huizhou) can continue production after the expiration of the Pollutant Discharge License of Guangdong Province,

and there is no legal impediment to obtain National Pollutant Discharge License if Town Ray (Huizhou) legally submits the required application materials according to the relevant laws and regulations of the PRC.

According to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) promulgated on 25 December 2016 and latest amended on 26 November 2018 by the SCNPC, and the Implementing Regulations for the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法實施條例) promulgated on 25 December 2017 and implemented on 1 January 2018 by the State Council, enterprises, public institutions and other producers/operators that discharge taxable pollutants directly to the environment within the jurisdiction of the People's Republic of China are the taxpayers of environmental protection tax and shall pay the Environmental Protection Tax.

Restriction of the Use of Hazardous Substances

The Administrative Measures on the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products (電器電子產品有害物質限制使用管理辦法) was promulgated by the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Environmental Protection, the Ministry of Commerce, the General Administration of Customs, the General Administration of Quality Supervision and the Inspection and Quarantine on January 6, 2016 and became effective on July 1, 2016. The restriction of the use of hazardous substances in electrical and electronic products is carried out through the catalog management. Such management catalog shall be prepared, adjusted and released by the Ministry of Industry and Information Technology, in concert with other relevant ministries, and in light of the actual industrial development situation.

Laws and regulation on product quality

The SCNPC promulgated the Product Quality Law of the PRC (中華人民共和國產品質量法, the "**Product Quality Law**") on 22 February 1993 and implemented it on 1 September 1993, which was revised on 8 July 2000, 27 August 2009 and 29 December 2018.

Engaging in the manufacturing and sale of any product in China shall comply with the Product Quality Law. The state, in accordance with the quality management standards commonly used internationally, implements enterprise quality certification system. Enterprises may, on a voluntary basis, apply to a certification body acknowledged by the department for product quality supervision under the State Council or by a department authorised by the aforesaid department for enterprise quality system certification.

Laws and regulations on the protection of consumer rights and interests

Enterprises, in the supply of goods manufactured and sold by them or services to consumers, shall comply with the Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法, the "**Consumer Rights Protection Law**") promulgated by the SCNPC on 31 October 1993, first becoming effective on 1 January 1994 and then revised on 27 August 2009 and 25 October 2013.

According to the Consumer Rights Protection Law, enterprises must ensure that the goods or services provided by them meet the requirements for safeguarding personal and property safety. For goods and services that may endanger personal and property safety, the consumers should be provided with a true description and an explicit warning, as well as a description and indication of the proper way to use the goods or accept the services and the methods of preventing the occurrence of hazard. If the goods or services provided by enterprises cause personal injuries to consumers or third parties, enterprises shall compensate for the loss.

Laws and regulations relating to rental property

The SCNPC promulgated the PRC Urban Real Estate Management Law (中華人民共和國城市房地產管理法, the "**Urban Real Estate Management Law**") on 5 July 1994, which was implemented on 1 January 1995, and revised on 30 August 2007 and 27 August 2009.

Pursuant to the Urban Real Estate Management Law, in the lease of a house, the lessor and the lessee shall conclude a written lease agreement with the term, purpose and price of the lease, repair responsibility and other rights and obligations of the parties, and shall register the lease with the property administrative department for record.

Laws and regulations on labour security

Labour Relationship

The SCNPC promulgated the Labour Law of the PRC (中華人民共和國勞動法) on 5 July 1994, which became effective on 1 January 1995, and was revised on 29 December 2018. The SCNPC promulgated the Labour Contract Law of the PRC (中華人民共和國勞動合同法) on 29 June 2007, which became effective on 1 January 2008, and was then revised on 28 December 2012. The State Council promulgated the Regulations on the Implementation of Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) (collectively the "**PRC labour laws**") on 18 September 2008, which became effective on the same date. Pursuant to the PRC labour laws, a written labour contract shall be concluded to establish a labour relationship.

Labour Dispatch

According to the Interim Provisions on Labour Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014 and becoming effective on 1 March 2014, a company can only use dispatched workers on temporary, ancillary or alternative positions, and the number of dispatched workers shall not exceed 10% of the total number of employees.

Social Insurance

The Social Insurance Law of the PRC (中華人民共和國社會保險法) was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018. The State Council promulgated and implemented the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) (collectively the "**PRC social insurance laws**") on 22 January 1999, which were revised on 24 March 2019.

Pursuant to the Social Insurance Law of the PRC, the basic pension insurance, basic medical insurance and unemployment insurance premiums shall be paid jointly by the employers and employees. The work-related injury insurance and maternity insurance premiums shall be paid by the employers, while the employees are not required to pay. Enterprises in China shall apply for social insurance registration with social insurance institutions, and pay social insurance premiums for their employees.

Housing Provident Fund

Pursuant to the Regulations on Management of Housing Provident Fund (住房公積金管理條例) promulgated and implemented by the State Council on 3 April 1999 and last amended on 24 March 2019, enterprises shall apply for housing provident fund registration with the relevant housing provident fund management centre, set up housing provident fund accounts at the entrusted bank, and make housing provident fund deposits for their employees.

Laws and regulations related to import and export of good

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) (the "**Foreign Trade Law**"), which was promulgated by the SCNPC on 12 May 1994 and became effective on 1 July 1994, and as last amended on 7 November 2016, a foreign trade operator engaged in import and export of goods or technologies shall make registration for record with the department in charge of foreign trade under the State Council or institutions entrusted by it; but those that are exempted from registration for record by laws, administrative rules and rules of the department in charge of foreign trade under the State Council shall be excluded.

The Circular of the Ministry of Commerce on Relevant Issues Concerning the Record Keeping and Registration of the Right to Foreign Trade by Foreign-invested Enterprises (商務部關於外商投資企業外貿權備案登記有關問題的通知), which was promulgated by the MOFCOM and implemented on 17 August 2004, further stipulates that any foreign-funded enterprise lawfully established after 1 July 2004 that undertakes import/export of self-use or self-produced goods and technologies of this enterprise need not complete the formalities of record-keeping and registration by foreign trade operators.

According to the Administrative Provisions of the Customs of the PRC on the Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定), which was promulgated by the General Administration of Customs on 13 March 2014 and last amended on 29 May 2018, consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with their local Customs in accordance with the applicable provisions. A consignor or consignee of imported or exported goods shall appoint its own customs declaration officer to complete customs formalities on its behalf or shall entrust a customs declaration enterprise that has registered with the Customs to appoint a customs declaration officer to complete customs formalities on its behalf.

EU

Extensive EU legislation aims to safeguard the health, safety and interests of consumers by covering a wide range of aims, such as the promotion of consumers' rights to information and education, consumer safety, the protection of consumers' economic and legal interests, and product packaging and labelling. While a regulation is a binding legislative act directly applicable in the member states, a directive must be implemented by the members in accordance with their domestic legal system.

Most importantly, enforcement of the rules is the exclusive competence of national authorities in EU member states. Thus, while the directives set out minimum common standards of product liability and consumer protection in the EU, the enforcement of their rules may (and, indeed, does) vary throughout the EU. Therefore, national laws and other measures implementing these directives should be researched separately to obtain a complete picture of the recourse avenues available to consumers in each EU member state.

EU import duties

Custom duties

The EU is a customs union with a common external tariff applicable to all goods entering the EU Member States. The EU customs framework is set out in three key regulations: (i) Regulation (EU) No 952/2013; (ii) Commission Delegated Regulation No 2015/2446; and (iii) Commission Implementing Regulation No 2015/2447 (each as amended) (collectively referred to as the "**Union Customs Code**"). The Union Customs Code and its implementing legislation are directly applicable in all 28 member states.

Under the Union Customs Code, the importation of goods into the EU is subject to the payment of relevant import value-added tax, customs duties, and other excise duties (as applicable), in accordance with the framework set out in Council Directive 2008/118 EC (as amended). Additional customs duties may be further imposed under the EU's anti-dumping and countervailing measures. The framework for these measures is set out in Regulation (EU) 2016/1036 and Regulation (EU) 2016/1037 (as amended), and the relevant value-added tax and customs duties (including anti-dumping and countervailing duties, where applicable) and excise duties are assessed by relevant EU member state customs authorities, who are responsible for the application and enforcement of the EU customs law.

No customs duties are levied on goods moving within the customs union. Separately, the EU has enacted legislation to address unfair trade practises (i.e. anti-dumping and countervailing measures) pursuant to the WTO Anti-dumping and Antisubsidy Agreements respectively. The EU, and in particular, the European Commission is directly responsible for conducting anti-dumping and anti-subsidy investigations as well adopting any protective measures.

Tariff and Non-tariff measures

When declared to customs in the EU, goods must generally be classified according to the Combined Nomenclature ("**CN**"). Imported and exported goods have to be declared, stating under which subheading of the nomenclature they fall. This determines the rate of customs duty applied and how the goods are treated for statistical purposes.

In addition to customs duties, imports into the EU have to fulfil health, safety, standard and other measures (the so-called non-tariff measures). Certain imports into the EU may also be subject to anti-dumping and anti-subsidy duties.

Product safety in the EU

*General product safety, Directive 2001/95/EC (the "**GPS Directive**")*

The GPS Directive applies to all EU member states and was required to be implemented into member state national law by 15 January 2004. Its provisions apply to all consumer products subject to product-specific requirements that may be applicable under separate legislation. On 13 February 2013, the European Commission adopted proposals to improve product safety in the EU, which consist of, inter alia, a proposal for a Regulation on Consumer Product Safety, replacing the existing GPS Directive. Among others, the proposed Regulations introduce a requirement on manufacturers and importers of consumer products to include information about the product's origin on the packaging of the product. The proposals are currently going through the EU's legislative procedure for adoption.

The GPS Directive aims to ensure that products placed on the EU market are safe for consumer use and that effective corrective action is taken when this is not the case. The GPS Directive requires that producers must only put products on the market that are safe, having regard to the product's composition, packaging, labelling, warnings and instructions for use. Producers and distributors also have obligations to take corrective actions in respect of products posing a safety risk that have already been placed on the EU market.

The responsibility for ensuring safety of products on the EU market lies with the manufacturer of the product, or where the manufacturer is not based in the EU, its representative in the EU (if applicable) or the importer.

Food contact materials

General requirements for all materials that are intended to come into contact directly or indirectly with food are laid down in Regulation (EC) 1935/2004. Specific EU regulations have also been established for food contact materials containing ceramics, regenerated cellulose film, plastics, recycled plastics and active and intelligent materials. In addition, there are directives that regulate particular substances and groups of substances used in the manufacture of food contact materials.

Electrical equipment

Specific EU legislation applies to certain electrical products, including the EU Low Voltage Equipment Directive 2014/35/EU, which requires the manufacturer to conduct a safety and conformity assessment to establish product safety and legislative compliance, before affixing a CE mark to the product. Additional legislation sets out specific requirements relating to the composition and labelling of certain electrical equipment and disposal of such equipment.

Consumer protection in the EU

Articles 12 and 114 of the Lisbon Treaty lay down the overarching provisions for promoting the interests, health and safety of consumers in the EU. With a view to meeting such objectives, further legislation has been adopted to protect the economic and legal interests, and health of consumers, and ensure the safety and free movement of products within the EU.

The sale of consumer goods and associated guarantees ("Directive 1999/44/EC")

Directive 1999/44/EC, which was required to be nationally implemented by 1 January 2002, applies to the sale of goods to consumers within the EU. Directive 1999/44/EC guarantees consumers a minimum level of protection with respect to remedies in the event of non-conformity of a product with the sale contract at the time of delivery.

Consumer Rights Directive 2011/83/EU ("Consumer Rights Directive")

The Consumer Rights Directive was required to be nationally implemented by 13 December 2013 and applies to contracts concluded after 13 June 2014. It amends Directives 93/13/EEC and Directive 1999/44/EC and repeals previous legislation relating to distance selling. The Consumer Rights Directive relates to contracts between traders and consumers on the sale of goods, services and online digital content.

Unfair commercial practises

Directive 2005/29/EC prohibits unfair business-to-consumer commercial practises in the EU, in particular misleading and aggressive commercial practises such as the provision of false or untrue information to consumers.

Liability for defective products ("Directive 85/374/EEC")

Directive 85/374/EEC, which was required to be nationally implemented by July 1988, states that producers of consumer products are liable to consumers for damage caused by defects in their products. Directive 85/374/EEC defines damages as death, personal injury or damage to any item of property (other than the defective property), and the parties that may be liable include the manufacturer of the finished product or any components; any person who presents himself as the producer (such as by placing their name or trademark on the product); and any person who imports the product into the EU for sale or distribution.

Civil Liability

In addition to regulatory liability, there may also be civil claims in both contract and tort in respect of product liability/safety and consumer protection.

ENGLAND AND WALES

Pursuant to the Brexit referendum, the United Kingdom is expected to leave the EU sometime in 2019, although date remains subject to the outcome of any negotiations between the United Kingdom and the remaining EU Member States that remain ongoing as of the Latest Practicable Date. From the date the United Kingdom leaves the EU, it is no longer expected to be part of the EU single market or customs union. This could lead to significant changes to the United Kingdom's customs duty regime, which could also impact the import of goods from outside the EU.

Copyright and trademarks

Copyrights exist automatically on creation of a "copyright work" (defined in section 1 of the Copyright, Designs and Patents Act 1988 ("**CDPA**")), and are not required to be registered in order to subsist in the United Kingdom.

The Trade Marks Act 1994 ("**TMA**") regulates the registration of United Kingdom trademarks, the use of registered United Kingdom trademarks and related matters. It is also possible to register international trade marks 'designating' either the United Kingdom and/or the EU via the so-called Madrid system, and thus obtain trade mark protection with the same effects as a direct United Kingdom and/or EU trade mark application.

Section 9 of the TMA provides that the owner of a registered United Kingdom trade mark has exclusive rights in the trade mark which are infringed by the use in the course of trade and without the owner's consent, of the trade mark (or any sign confusingly similar to it) in the United Kingdom, that is (a) identical to the registered mark and used in relation to identical goods or services; (b) is similar or identical to the registered mark, and used in relation to similar or identical goods or services, with a likelihood of confusion on the part of the public; or (c) identical or similar to the registered mark where the mark has a reputation in the United Kingdom/Member States and the use of the sign, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the registered trade mark. The TMA provides that a registered trade mark owner is, in an action for infringement, entitled to relief including by way of damages, injunctions and accounts.

As with the general import of goods into the EU, goods imported into the United Kingdom must not infringe any Intellectual Property Rights which other operators may hold in the United Kingdom. Exporters should inquire into whether the goods they want to export to the United Kingdom are already subject to an Intellectual Property Right in any of the EU member states, and obtain, if necessary, an appropriate licence from the right-holder. The aforementioned doctrine of exhaustion is also provided for in the United Kingdom.

Laws and regulations relating to imports

The enforcement of customs procedures in the United Kingdom is the responsibility of HM Revenue & Customs, and the extent and scope of their powers are contained in legislation including the Customs and Excise Management Act 1979 ("**CEMA**") and various directly applicable EU regulations, including the Union Customs Code. CEMA serves to consolidate the United Kingdom customs law and, inter alia, considers duty chargeable on imported goods, and together with other applicable laws, provides that the value for customs purposes is generally the price payable or paid by the buyer of the goods imported into the United Kingdom. The point at which duty is payable on the goods varies depending on when entry or declaration is deemed to have been made, the nature of the goods, fixed regulations, the method of import and purpose.

A penalty may be imposed where a person engages in any conduct for the purpose of evading any relevant tax or duty on imports, or engages in any conduct by a duty, obligation, requirement or condition imposed by or under legislation relating to any relevant tax or duty is contravened. Value added tax (VAT) also applies on the importation of goods into the United Kingdom from outside the EU

(see below). Sections 15 and 16 of the Value Added Tax Act 1994 provide that enactments relating to customs duties apply generally (but with appropriate modifications) in relation to VAT chargeable on the importation of goods as they apply to customs duties.

From a United Kingdom perspective, the declarant for goods imported into the United Kingdom is liable to pay relevant United Kingdom VAT and customs duties (including applicable anti-dumping and countervailing duties) to Her Majesty's Revenue and Customs ("**HMRC**"). The amount of United Kingdom VAT and customs duty is determined based on the declared value of the goods, the tariff classification of the goods and the country of origin of the goods. Anti-dumping and countervailing duties will only be applicable where the imported goods are subject to such anti-dumping and countervailing measures. The declarant is also under a duty to submit an import declaration to HMRC.

Laws and regulations relating to product quality and safety and consumer protection

Much of the laws of England and Wales on product quality originates from and/or implements EU law, reflecting the requirements for product safety and consumer protection across member states. Manufacturers and distributors are obliged to ensure that products supplied for sale are safe and bear the appropriate safety warnings. The General Product Safety Regulations 2005 set out the extent of these obligations (by reference to the EU standards from time to time, and the actions that producers must take in monitoring products and recalling unsafe products that have been released for sale. Failure to comply with certain obligations within the Regulations can lead to fines and imprisonment. The United Kingdom has also implemented product-specific EU legislation including the Electrical Equipment (Safety) Regulations 2016 (which implements the Low Voltage Equipment Directive).

Individual customers benefit from much greater protection than business customers. The Consumer Rights Act 2015, which replaced and consolidated certain previous consumer protection legislation, requires goods sold to consumers to be of satisfactory quality, fit for their intended purpose, to match the description made available and to match any sample or model displayed prior to sale. It also imposes overarching requirements of fairness and transparency.

All products placed on the market in England and Wales must comply with the information requirements set out in the Consumer Protection from Unfair Trading Regulations 2008 (as amended). These regulations prohibit certain types of unfair commercial practises and provides that traders must not mislead consumers by providing false information or omitting to provide certain information. There are also specific regulations requiring provision of pricing information, such as the Price Marketing Order 2004 (SI 2004/102).

OVERALL REGULATORY COMPLIANCE IN EU AND UNITED KINGDOM

Hogan Lovells, our counsel as to the laws of the United Kingdom and the EU, has confirmed based on its due diligence of the company's operations in the United Kingdom and the EU, that there are no instances of material non-compliance with the applicable laws and regulations of these jurisdictions.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisers, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. During the Track Record Period, we had sales and deliveries of our electrothermic household appliances to customers located in Russia and the Balkans (including Greece, Romania, Serbia and Slovenia). Russia and the Balkans were subject to targeted sanctions during the Track Record Period. This summary does not intend to set out the laws and regulations relating to the U.S., the EU, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury regulations

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

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

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

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are 10 monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

EU

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

Australia

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

Applicability to our sales in Russia

The United States, the EU, the United Nations, acting through the Security Council, Australia and a number of other countries and governmental organizations impose a variety of sanctions measures that limit parties' ability to transact with certain persons, entities or organizations in Russia. Other sanctions imposed by these regulators target specific sectors of the Russian economy, such as the financial, energy, and defense sectors. These sanctions have been implemented for a number of reasons articulated by the sanctions regulators, including in response to Russia's 2014 invasion of Ukraine, interference in the United States and other countries recent elections, malicious cyber-enabled activities, human rights abuses, use of a chemical weapon, weapons proliferation, illicit trade with North Korea, and support to

Syria. The area known as Crimea, which is located in the area between Russia and Ukraine, is subject to very extensive sanctions implemented when it was deemed to be annexed by Russia in 2014. They also place various transportation restrictions on Crimea, including listing various ports where ships cannot dock.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

(a) reviewed documents provided by us about our Group, our business operations, revenues, sales contracts and counterparty list in Russia and the Balkans, ownership structure and management;

(b) reviewed our list of counterparties in Russia and the Balkans during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that they are not on such lists; and

(c) received written confirmation from us that except for our sales to customers located in Russia and the Balkans as disclosed in the section headed ''Risk factors — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the EU, the United Nations, Australia and other relevant sanctions authorities'', neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of our Share Offer and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Share Offer will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, Shareholders, the Stock Exchange and the Listing Committee and group companies, or any person involved in the Share Offer and accordingly, the sanction risk exposure to our Company, its investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Company's Shares (including the Stock Exchange, the Listing Committee and related group companies) is very low.