The following is a brief summary of the laws and regulations in the PRC that currently materially affect our business. The principal objective of this summary is to provide [REDACTED] with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations which may be important to [REDACTED]. Investors should note that the following summary is based on laws and regulations in force as of the date of this document, which may be subject to change.

LAWS AND REGULATIONS RELATED TO PRODUCTION SAFETY

Work safety law of the PRC

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, any containers of hazardous substances, means of conveyance as well as special equipment concerning life safety or with significant dangers used by any enterprises, shall, according to the relevant provisions of the state, be manufactured by specialised manufacturing enterprises, and may only be utilised after they have passed the examinations and tests of institutions which have relevant professional qualifications and been awarded a certificate for safe use or a mark of safety. In addition, the production, operation, transportation, storage and use of any hazardous substances or the disposal of abandoned hazardous substances shall, according to the provisions of the relevant laws and regulations, national standards and industrial standards, be subject to the approval as well as the supervision and administration of relevant administrative departments.

The major person-in-charge of an enterprise shall undertake the overall responsibility for the safety in production. Enterprises shall provide education and training to employees on safety in production. They shall also provide employees with articles of labour protection which meet the national or industrial standards, and supervise and guide employees to use of these articles according to instructions.

Production safety licence

Pursuant to the Regulations on Production Safety Licences (《安全生產許可證條例》) which was promulgated on 13 January 2004, subsequently amended on 18 July 2013 and 29 July 2014, respectively, and last amended on 29 July 2014, and Measures for Implementation of the System of Production Safety Licences of Hazardous Chemicals Production Enterprises (《危險化學品生產企業安全生產許可證實施辦法》) promulgated on 5 August 2011 and last amended on 6 March 2017, the PRC central government has implemented a licensing system for production safety of mining enterprises, construction companies and enterprises producing hazardous chemical products, fireworks and civil explosive materials. No enterprise producing hazardous chemical products may engage in production activities without holding a production safety licence. While the regulatory authorities for production safety of the State Council is responsible for the issuance and administration of production safety licences for hazardous chemical production enterprises (headquarters) under the administration of the central government or directly held by the central

government, the regulatory authorities for production safety of the people's governments of provinces, autonomous regions and municipalities directly under the central government of the PRC will be responsible for the issuance and administration of production safety licences for other hazardous chemical production enterprises.

The period of validity of a production safety licence shall be three years. Where any enterprise needs to extend the period of validity of its production safety licence, the enterprise shall apply for extension three months prior to the expiration date.

Use of hazardous chemicals

Pursuant to the Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated on 26 January 2002 and subsequently amended on 2 March 2011 and 7 December 2013,an entity using hazardous chemicals shall comply with the provisions of laws and administrative regulations and the requirements of national standards and industrial standards in terms of use conditions (including techniques), and shall, in accordance with the types and hazard characteristics of the used hazardous chemicals as well as the amount and mode of use, establish and perfect the safety administration regulations and safety operating rules for the use of hazardous chemicals so as to guarantee the safe use of hazardous chemicals. A chemical enterprise that uses hazardous chemicals to conduct production and of which the use amount reaches the stipulated amount shall obtain a safety use permit of hazardous chemicals. Pursuant to the Quantity Standards for the Use of Hazardous Chemicals(2013), the catalogue of 75 kinds of hazardous chemicals that requires safety use permits was determined and promulgated by the work safety supervision and administration department under the State Council jointly with the administrative departments of public security and agriculture of the State Council. And an entity whose use amount of $TiCl_4$ reached 2,700 tons per year shall obtain a safety use permit of hazardous chemicals. Pursuant to the Catalogue of Industries Applicable to Safe Use of Dangerous Chemicals (2013) (《危險化學品安全使用許可適用行業目錄(2013年版)》), the industries that shall obtain a safety use permit of hazardous chemicals include 5 categories, 11 medium categories and 25 subcategories.

Pursuant to Administrative Measures on Operating Licence for Hazardous Chemicals (《危險化學品經營許可證管理辦法》), promulgated on 17 July 2012 and amended on 27 May 2015, enterprises that engage in operating (including storage) hazardous chemicals which are listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) shall obtain operating licence.

As advised by our PRC Legal Advisers, $TiCl_4$ is the Hazardous Chemical we mainly use in the production process and is also listed in the Quantity Standards for the Use of Hazardous Chemicals(2013)(《危險化學品使用量的數量標準(2013年版)》).A chemical enterprise that uses $TiCl_4$ to conduct production and of which the use amount reaches the stipulated amount shall obtain a safety use permit of hazardous chemicals. According to the safety production standardisation certificate issued by Liuzhou City Emergency Management Bureau on 15 October 2020, Chesir Pearl is a light industry corporation rather than a chemical enterprise, Chesir Pearl does not need to apply for the safety use permit or operating licence for hazardous chemicals. Although we are involved in the use and storage of the $TiCl_4$ in the production process, we are not a manufacturer of hazardous chemicals listed in 25 subcategory that need to obtain a safety use permit for hazardous chemicals. In addition, according to the certificate issued by the Luzhai Emergency Management Bureau on 26 January 2021, our use and storage of hazardous chemicals meet the requirements of laws and administrative

regulations and national standards and industry standards. We are not the hazardous chemical enterprise that needs to obtain the safety use permits or operation permits for hazardous chemicals. According to the certificate issued by Liuzhou City Emergency Management Bureau on 29 March 2021, Chesir Pearl does not belong to the chemical enterprises that need to apply for the safety use permit or operating licence for hazardous chemicals. As advised by our PRC Legal Advisers, the Luzhai Emergency Management Bureau and Liuzhou City Emergency Management Bureau are the competent authority of the Chinese government who has the right to issue the certificate.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY

Product quality law of the PRC

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018, applies to all production and marketing activities within the territory of the PRC. Producers and sellers are responsible for the product quality according to the provisions of this law.

Responsibilities and obligations of producers for the products include: (i) being responsible for the quality of the products produced; (ii) marks on the products or on the packages thereof shall be true to the fact; (iii) not to produce products expressly phased out by state laws or decrees; (iv) not to forge the place of origin, or forge or illegally use the name and address of another producer; (v) not to forge or illegally use product quality marks, such as authentication marks; (vi) not to mix impurities or imitations into the products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; and (vii) to ensure that, for products that are fragile, inflammable, explosive, toxic, corrosive or radioactive, products that should be kept upright during storage and transportation, or other products with special requirements, the packaging thereof must meet the corresponding requirements, and carry warning marks or warning notes to highlight the way of handling that calls for attention.

A producer in breach of the above responsibilities and obligations shall be liable for civil compensation. The authorities shall order the suspension of production, confiscate the products illegally produced, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licences shall be revoked. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities.

REGULATION RELATING TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities 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 on 29 December 1993, came into effect on 1 July 1994 and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. Foreign investor in the PRC corporate entities are also regulated by the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which was promulgated by the National People's Congress On March 15, 2019, and came into effect on January 1, 2020 and provided that foreign investor refers to foreign natural persons, enterprises or other organisations who directly or indirectly carry out foreign investment activities in China (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested

enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-entry national treatment means the treatment given to Foreign Investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall mean the conditions stipulated in the negative list before investing in any restricted fields. The negative list is released upon approval of the State Council.

The Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) was adopted at the 74th executive meeting of the State Council on December 12, 2019 and came into effect on January 1, 2020. The purpose of the Implementation Regulations for the Foreign Investment Law of the PRC is to encourage and promote foreign investment, protect the legitimate rights and interests of investors, regulate the administration of foreign investment, and continuously optimise the foreign investment environment. For those sino-foreign joint venture in the PRC established prior to the implementation of the Foreign Investment Law, they can retain their organisational forms and organisational structures within the transitional period of 5 years under the Foreign Investment Law.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "**Catalogue**"), which was jointly issued by the National Development and Reform Commission (國家發展和改革委員會) and the MOFCOM in 1995, and amended in 1997, 2002, 2004, 2007, 2011, 2015, 2017 and 2019. The current effective Catalogue was issued on 30 June 2019, and came into force on 30 July 2019. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries.

Under the PRC Company Law, PRC companies are classified into limited liability companies and joint stock limited companies. A joint stock limited company shall meet the following conditions: (1) the promoters meet the quorum; (2) the total amount of share capital subscribed or the total amount of paid-up share capital raised by all promoters is in compliance with the articles of association; (3) the issuance and organization of shares are in compliance with the laws; (4) the promoters shall formulate the articles of association and adopt the same at the inaugural meeting; (5) have the company name and establish an organization that meets the requirements of a joint stock limited company; (6) have the domicile of the company. A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

After the implementation of the Foreign Investment Law since January 1 2020, newly established foreign-invested enterprises, whether within the scope of the "negative list", are not required to report to the MOFCOM for approval at the time of establishment, but are directly registered by the market regulatory authorities in accordance with the entry requirements. The applicant should sign a letter of undertaking as required when making the application.

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the "**Negative List**") was approved by the Communist Party of China Central Committee and the State Council and was issued jointly by the National Development and Reform Commission and the Ministry of Commerce of the PRC ("**MOFCOM**") on 23 June 2020, and came into effect on 23 July 2020. The Negative List specifies prohibitions or restrictions on foreign investment in some industries. According to the Negative List, the Special Administrative Measures for the Access of Foreign Investment (Negative List)(2019) 《外商投資准入特別管理措施(外商投資准入負面清單)(2019年版)》) is repealed and replaced by it.

Our PRC operating entities are currently engaging in manufacturing and selling of industrial chemical products which does not belong to the restricted or prohibited foreign-invested industries enumerated in the Negative List.

The M&A Rules were jointly promulgated by the MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006 and was amended by MOFCOM on June 22, 2009. The M&A Rules provides that a foreign investor is required to obtain necessary approvals when it: (1) acquires equity interests in a domestic enterprise or subscribes to additional shares of a domestic enterprise; (2) purchases the assets of a domestic enterprise through establishment of a foreign-invested enterprise; or (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets. In particular, any PRC company, enterprise or individual is required to obtain approval from the MOFCOM and comply with applicable laws and regulations if it establishes an offshore company and attempts to acquire a domestic enterprise related to such offshore company.

Regulations on Protection of Domestic Shareholders' Rights

Shareholders of a joint stock limited company have the right to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries in respect of the company's operations.

The general meetings of a joint stock limited company consist of all shareholders. The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law. Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner; where the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting. Shareholders present at the shareholders' general meeting have one vote for each share they hold. However, shares of the Company held by the Company do not carry voting rights. Resolutions of the shareholders' general

meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding any amendment to the articles of association, increase or reduction of registered capital, and merger, division, dissolution or change of corporate form of the company must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Notice of the shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of an extraordinary general meeting shall be given to all shareholders 15 days before the meeting; and announcement of the time and venue of and matters to be considered at the meeting shall be made 30 days before the meeting. Shareholders individually or jointly holding more than 3% of the company's shares may submit ad hoc proposals in writing to the Board of Directors 10 days before the general meeting is convened. The Board of Directors shall notify other shareholders within two days after receipt of such proposals and submit such ad hoc proposals to the general meeting for consideration. The contents of an interim proposal shall fall within the scope of authority of the general meeting and shall have a clear subject and specific matters to be resolved. The general meeting shall not resolve on matters not specified in the preceding two notices. Holders of bearer shares who attend a shareholders' general meeting shall deposit their share certificates with the Company five days before the meeting is held and until the conclusion of the shareholders' general meeting.

Where a shareholder requests to inspect or copy certain documents of the company in accordance with the PRC Company Law or the articles of association, the people's court shall accept such request.

REGULATION IN RELATION TO INTELLECTUAL PROPERTY RIGHTS

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), the Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協定》) and the Patent Cooperation Treaty (《專利合作協定》).

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on March 12, 1984, amended on September 4, 1992, August 25, 2000 and December 27, 2008 and effective from October 1, 2009 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010, respectively, patents in China fall into three categories: invention patents, utility model patents and design patents. The term of patent protection starts from the date of application and lasts 20 years for invention patents and 10 years for utility model patents and design patents. Any individual or entity that utilises a patent or conducts any other activity that infringes a patent without the patent holder's authorisation shall pay compensation to the patent holder and be subject to a fine imposed by regulatory authorities and, if such behaviour constitutes a crime, shall be held criminally liable in accordance with applicable laws. According to the Patent Law of the PRC, any organisation or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the SIPO for confidentiality examination.

Trade secrets

Pursuant to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC in September 1993, as amended in November 4, 2017 and April 23, 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining trade secrets from the legal owners or holders by any unfair methods, such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and impose fines on the infringing parties.

Trademarks

In accordance with the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and came into effect on November 1, 2019, a registered trademark is valid for a period of 10 years commencing from the date on which the registration is approved. Upon expiration of the trademark, the registrant shall apply for renewal within twelve months prior to the expiration date if it intends to maintain exclusive use of the trademark. If the registrant fails to apply for renewal, a grace period of six months may be granted. Each renewal of registration is valid for a period of 10 years commencing from the next day of the expiration date of the last valid period of the trademark. In the absence of a renewal upon the expiration of a trademark registration,

the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour that may constitute an infringement of the exclusive right under a registered trademark. Any person who infringes the law shall be promptly referred to the judicial authorities for handling according to the law.

Domain names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and came into effect on November 1, 2017, and the Implementing Rules of China Internet Network Information Center on the Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Center on May 28, 2012 and came into effect on May 29, 2012. Domain names in the internet of the PRC are mainly administered by the MIIT. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicant becomes domain name holder upon successful registration.

OTHER LAWS

Environmental protection

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989 and last amended on 24 April 2014 by the SCNPC, the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated on 11 May 1984 and last amended on 27 June 2017 by the SCNPC, the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) promulgated on 5 September 1987 and last amended on 26 October 2018 by the SCNPC, the Law on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) promulgated on 30 October 1995 and last amended on 29 April 2020 by the SCNPC, and the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) promulgated by the SCNPC on 29 October 1996 and amended on 29 December 2018, the construction of any project that causes pollution shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated during construction. Different penalties may be imposed for violation of above laws depending on individual circumstances and the extent of contamination. Such penalties may include warnings, fines, orders to stop production or close down, specifically, non-compliance with the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) by a company could cause the company be liable to a fine of RMB100,000 to RMB1,000,000 upon conviction, non-compliance with the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) by a company could result in a fine for both the company and the person-in-charge, non-compliance with the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) by a company could cause the company be subject to a fine of RMB20,000 to RMB200,000 upon conviction, and non-compliance with the Law on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) by a company may result in a fine of RMB50,000 to RMB1,000,000 upon conviction.

Pursuant to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC on 28 October 2002 and last amended on 29 December 2018, the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) promulgated by the State Council on 29 November 1998 and last amended on 16 July 2017, Category-based Management Directory on the Environmental Impact Assessment for Construction Projects (建設項目環境影響評價分類管理名錄) promulgated by the Ministry of Environmental Protection on 2 September 2008 and last amended on 30 November 2020, depending on the impact of the project on the environment, either an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a property developer before the relevant authorities granting approval for the commencement of construction projects. The project construction shall not proceed in case its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review.

Pursuant to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) issued by the SCNPC on 26 October, 2018 and became effective on the same date, enterprises, entities and other production operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of the environmental protection tax and should pay environmental protection tax based on the requirements of the law. Pursuant to Article 62 of the Law of Administration of Tax Collection of the PRC, where, within the prescribed time limit, a taxpayer fails to go through the formalities for tax declaration and submit information on tax payment or a withholding agent fails to submit to the tax authorities statements on taxes withheld and remitted or collected and remitted and other relevant information, he or she shall be ordered by the tax authorities to rectify within a time limit and may be liable for a fine not more than RMB2,000; and if the circumstances are deemed serious, he or she may be liable for a fine not less than RMB2,000 but not more than RMB10,000.

The Chinese government's environmental protection regulatory requirements and administrative penalties for violations of the law during the construction process and the entire production process are becoming stricter. Administrative penalties and administrative compulsions imposed by Environmental protection departments at all levels on construction units, environmental assessment units and their related staff are required to be included in the national or regional credit information sharing platform. Each department implements a cross-departmental joint disciplinary mechanism, to restricts or prohibits market access, administrative licensing, or financing behaviours on relevant entities, legal representatives, and related responsible personnel that are seriously untrustworthy in accordance with laws and regulations, and stops enforcing their enjoyment of environmental protection, finance, and taxation.

We strictly complied with the applicable environmental laws and regulations in the construction of our factory. According to the certificate issued by the ecological and Environmental Bureau of the local government, since the establishment of the company, there has been no environmental pollution accident, no violation of relevant national and local laws and regulations on environmental protection, and no administrative punishment by the environmental management department.

Foreign exchange control

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), promulgated on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》), or the Settlement Regulations, promulgated by the People's Bank of China on June 20, 1996 and came into effect on July 1, 1996, foreign exchanges required for profit distributions and dividend payments may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorising distribution of profits or payment of dividends.

According to the Notice of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix, the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (《資本項目直接投資外匯業務操作規程》), promulgated on November 19, 2012 and amended on May 4, 2015 by the State Administration of Exchange Control, or the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved.

Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the foreign exchange registration under foreign direct investment is directly reviewed and handled by banks in place of SAFE, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration under foreign direct investment via banks.

The Provisions on the Administration of Foreign Exchange in Domestic Direct Investments by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the FDI Provisions, which were promulgated by the SAFE on May 11, 2013 and became effective on May 13, 2013, and last amended on October 10, 2018, regulate and clarify the administration over foreign exchange administration in domestic direct investments by foreign investors.

Pursuant to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE on March 30, 2015 and became effective on June 1, 2015, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《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》) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises in accordance with the principle of authenticity.

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局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"), a PRC resident shall register with the local SAFE branch before he or she directly established oversea or indirectly controlled an oversea enterprise for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Failure to comply with the SAFE registration requirements could result in penalties for evasion of foreign exchange controls. The Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies provides that banks can directly handle the initial foreign exchange registration and amendment registration under the Circular 37. As of the date of this document, all PRC ultimate individual shareholders of the Company who are PRC residents have completed the foreign exchange registration under the Circular 37 on November 28, 2020.

Labour and social insurance

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, implemented on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, the PRC Labour Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, implemented on January 1, 2008, and amended on December 28, 2012 and implemented on July 1, 2013, and the Implementing Regulations of the Labour Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008, labour contracts shall be concluded in writing if employment relationships are to be or have been established between employers and employees. In addition, employee wages cannot be lower than local standards on minimum wages. Employers shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate employees in occupational safety and sanitation in the PRC. Occupational safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide employees whose work involves occupational hazards with health examinations on a regular basis.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and effective from July 1, 2011 with last amendment on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費征繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Administrative Regulations on the Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to make contributions, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to make contributions may be fined and ordered to make good the deficit within a stipulated time limit.

Enterprise income tax

According to the EIT Law, which was promulgated by the National People's Congress on March 16, 2007, effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprise taxpayers are classified as either resident enterprises or non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose de facto management bodies are located in China, and are subject to EIT rate of 25% of their global income. Non-resident enterprise refers to an entity established under foreign law whose de facto management bodies are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Incomes (《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》), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, pursuant to the Circular on Certain Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) issued on February 20, 2009 by the State Administration of Taxation, or the SAT, if a PRC tax authority determines, in its discretion, that a company benefits from such reduced income tax rate as a result of an arrangement that is primarily tax-driven, such PRC tax authority may adjust the preferential tax treatment of the company. Based on the Announcement on Certain Issues with Respect to the Beneficial Owner in Tax Treaties (《國家税務總局關於税收協定中受益所有人有關問題的公告》) issued by the SAT on February 3, 2018 and effective on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a beneficial owner, and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added tax

Pursuant to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) (the "**VAT Interim Regulations**") which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 26 February 2016 and 19 November 2017, its Implementation Regulations (《中華人民共和國增值税暫行條例實施細則》) which was last amended on 28 October 2011, and the Notice of the Ministry of Finance and the SAT on Adjusting Value-added

Tax Rates (《財務部、税務總局關於調整增值税税率的通知》) which was issued on 4 April 2018 and became effective from 1 May 2018, the Value-added Tax (the "**VAT**") rate of 16% shall be applicable to taxpayers engaging in the sale or import of goods, provision of labour services, tangible movable property leasing services shall generally be 16%; the VAT rate of 10% shall be applicable to taxpayers providing transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovable, transferring the rights to use lands, or selling or importing goods specified by the VAT Interim Regulations; and the VAT rage of 6% shall be applicable to other modern service industries. Our business shall be subject to VAT with reference to the above rules. Pursuant to the Announcement of the Ministry of Finance, SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、税務總局、海關總署關於深化增值税改革有關政策的公告》) which was issued on 20 March 2019 and became effective on 1 April 2019, the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable to such taxpayer shall be adjusted to 9%.

VAT export refund

According to the Administrative Measures for Tax Rebate (Exemption) of Exported Goods (Trial Implementation) (《出口貨物退(免)税管理辦法(試行)》), which was promulgated by the SAT on 16 March 2005 and became effective on 1 May 2005 and was partially amended on 15 June 2018, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the VAT in relation to the goods exported by export agents can be rebated or exempted upon approval by competent tax authorities.

Urban maintenance and construction tax

Pursuant to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) which was issued on 18 October 2010 and effective on 1 December 2010, the Interim Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》), came into effect on 1 January 1985 and amended on 8 January 2011, and the Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), amended on 8 January 2011, the collection of urban maintenance and construction tax and educational surcharges shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

According to the Interim Regulations of the PRC on Urban Maintenance and Construction Tax, any enterprise or individual who is liable to pay consumption tax, value-added tax and business tax shall also pay urban maintenance and construction tax. The amount of consumption tax, value-added tax and business tax actually paid by a taxpayer shall be the taxation basis of urban maintenance construction tax. The urban maintenance construction tax shall be paid simultaneously when consumption tax, VAT and business tax are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7% for a taxpayer domiciles in a city, 5% for a taxpayer domiciles in a county or a town, and 1% in other places.

Foreign trade

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was adopted by the SCNPC on 12 May 1994, and amended on 6 April 2004 and 7 November 2016, provides that foreign trade operators who engage in the import and export of goods or technologies shall file records with the administrative department of the foreign trade of the State Council or its authorised agency, unless provided otherwise by the laws, administrative regulations or the stipulations by the administrative department of foreign trade of the State Council. Foreign trade operators which have not filed for registration in accordance with the relevant laws, regulations or stipulations will be declined by the customs to carry out the customs clearance and inspection procedures for import and export of goods. More specifically, according to the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the MOFCOM on 25 June 2004 and amended on 18 August 2016, 11 November 2019 and 30 November 2019, foreign trade operators who engage in the import and export of goods or technologies shall go through the formalities for record-filing and registration with the MOFCOM or an authority authorised by the MOFCOM. If foreign trade operators fail to go through the formalities for record-filing and registration in accordance with the provisions of these Measures, customs shall refuse to handle the declaration and clearance formalities of their imports and exports. Pursuant to the MOFCOM Notice of Further Optimising the Recordation and Registration of Foreign Trade Operators (《商務部關於進一步優化對外貿易經營者備案登記工作的通知》), which was promulgated on 18 February 2019 and became effective on 1 March 2019, the collection of paper application materials have been simplified and foreign trade operators may upload and scan in the application for the recordation and registration. When a foreign trade operator applies for or changes the recordation and registration, it may submit online a copy of its business license, a signed or sealed scanned copy of the original application form for recordation and registration of foreign trade operators and other application materials.

Customs

According to the Customs Laws of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, unless otherwise stipulated, the declaration of import and export goods may be completed by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the customs. The declaration of import and export goods may be completed by the owners of such goods or their entrusted person. In addition, the consignors and consignees of the goods exported or imported and the customs brokers must register themselves for declaration activities with the customs office. Enterprises engaged in processing trade shall undergo recordation formalities at the customers office in accordance with the provisions of the General Administration of Customs (海關總署). The amount of raw materials consumed during the production of the finished products shall be decided by the customs office. The finished products of a processing trade shall be re-exported within the stipulated time limit.

Pursuant 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》) promulgated by the General Administration of Customs on 13 March 2014, amended on 20 December 2017 and 29 May 2018, and came into effect on 1 July 2018, and the Announcement on Including the Registration Certificate for a Customs Declaration Entity (for the Consignees or Consignors of Imported or Exported Goods) into the Reform of "Integrating Certificates into One" (《關於《報關單位註冊登記證書》(進出口貨物收發貨人)納入"多證合一"改革的公告》) issued by the State Administration for Market Regulation (國家市場監督管理總局) and General Administration of Customs (海關總署) on 9 January 2019 and became effective on 1 February 2019, the consignor or consignee of imported and exported goods shall apply for customs recordation or registration at the time when it applies for registration with the State Administration for Market Regulation or its local counterparts.