This section sets forth a summary of the most significant laws and regulations that affect our business activities in China.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Law, Foreign Investment Law and its Implementation Regulations for the Foreign Investment Law

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 last amended on 26 October 2018. The PRC Company Law shall be applicable to foreign-invested companies with limited liability and such companies limited by shares; and where laws on foreign investments provide otherwise, the provisions there shall be applicable.

On 15 March 2019, the National People's Congress (the "**NPC**") enacted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on 1 January 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Co-operative Enterprises Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》). According to the Foreign Investment Law, "foreign-invested enterprises" refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and "foreign investment" refers to any foreign investor's direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On 26 December 2019, the State Council issued 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》) (the "**Implementation Rules**") which came into effect on 1 January 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》). According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to 1 January 2020, the Foreign Investment Law and the Implementation Rules shall prevail.

On 30 December 2019, the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") and the State Administration for Market Regulation (the "**SAMR**") jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020, and has replaced the Interim Measures for the Administration of Record-filling on the Establishment and Changes in Foreign-Invested Enterprises

(《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

Foreign investment industrial policy

Investments activities in China by foreign investors are principally governed by the Catalogue for the Encouragement of Foreign Investment Industries (2020 Edition) (《鼓勵外商投資產業目錄（2020年版）》) (the "**Catalogue**") and the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施(負面清單) (2021年版)》) (the "**Negative List (2021)**"), which were both promulgated by the MOFCOM and the National Development and Reform Commission and each became effective on 27 December 2021 and 1 January 2022. The Catalogue and the Negative List (2021) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

LAWS AND REGULATIONS RELATING TO OUR OPERATIONS

Industry standards for cigarette packaging paper manufacturing

The manufacturing of printed cigarette packet packaging paper, cigarette inner liner and cigarette tipping paper is subject to a series of industrial standards, compulsory or voluntary, regarding the technical requirements, safety, sampling inspection, packaging, labelling, transportation and storage. Some of the major industry standards for cigarette packaging paper manufacturing include the Tobacco Industry Standard for Printed Cigarette Carton and Packet Packaging Papers of the PRC (《中華人民共和國煙草行業標準卷煙條與盒包裝紙印刷品》) (YC/T 330–2014 Standard) which took effect on 15 January 2015, the Tobacco Industry Standard for Inner Liner for Cigarette of the PRC (《中華人民共和國煙草行業標準煙用內襯紙》) (YC 264–2014 Standard) and the Tobacco Industry Standard for Tipping Paper for Cigarette of the PRC (《中華人民共和國煙草行業標準煙用接裝紙》) (YC 171–2014 Standard) which both took effect on 15 April 2015, the Tolerance Values of Volatile Organic Compounds in Cigarette Carton and Packet Packaging Papers (《卷煙條與盒包裝紙中揮發性有機化合物的限量》) (YC 263–2008 standard) which took effect on 1 July 2008, the System of Material for Cigarette (煙用材料標準體系) (YC/T 195–2005 Standard) which took effect on 1 December 2005 and etc.

The Notice of the State Tobacco Monopoly Administration on Issues Concerning the New Caliber of Statistics and New criteria for Cigarette Classification promulgated on 19 October 2001 by the State Tobacco Monopoly Administration (the "**STMA**") has formulated new criteria for the classification of each of tier 1 to tier 5 cigarettes. Tier 1 cigarettes refer to cigarettes with a retail price above RMB18 per box whereas tier 2 cigarettes refer to cigarettes with a retail price ranging from RMB13 to RMB18 per box. Tier 3 cigarettes refer to cigarettes with a retail price ranging from RMB6 to below RMB13 per box. Tier 4 cigarettes refer to cigarettes with a retail price ranging from RMB3 to below RMB6 per box. Tier 5 cigarettes refer to cigarettes below RMB3 per box. Tier 1 and tier 2 cigarettes are generally recognised as high-end cigarettes in the PRC, tier 3 cigarettes refer to mid-end cigarettes while tier 4 and 5 refer to low-end cigarettes. The Measures for the Administration of Information Collection and Verification of Cigarette Consumption Tax Price (Revised in 2018) promulgated on 15 June 2018 by the State Administration of Taxation (the

"**STA**") further renewed the criteria. Pursuant to the Requirements for Design of Cigarette Package (《卷煙包裝設計要求》) (YC/T 273–2014 Standard) published by the STMA for the PRC Tobacco Industry Standard which was effected on 15 August 2014, the design of cigarette package shall comply with a series of industrial standards, compulsory or voluntary, regarding the packaging texture, packaging structure and packaging cost. Specifically, the ratio of packaging cost to cigarette selling price (excluding value-added tax) must be no more than certain limits set for each tier of cigarettes as follows:

tier 1 cigarettes (ex-factory price above RMB1 per stick) ..... no more than 8%

tier 1 (others) and tier 2 cigarettes ..... no more than 9%

tier 3 cigarettes ..... no more than 11%

tier 4 to tier 5 cigarettes ..... no more than 12%

According to the Notice of the State Tobacco Monopoly Administration and the General Administration of Quality Supervision, Inspection and Quarantine on Issuing the Provisions on the Domestic Cigarette Packaging Labels (《國家煙草專賣局、國家質量監督檢驗檢疫總局關於印發境內卷煙包裝標識的規定的通知》) (the "**Notice on the Domestic Cigarette Packaging Labels**") which effected on 22 January 2017, the regulator imposes stricter requirements for warning statements printed on cigarette package boxes which includes the wordings, the positions, the area and the font size of the warning statements. Cigarette packages should be printed with warning statements by the standard Chinese characters of the PRC. Other labels on cigarette strips and cigarette packages should also meet the relevant requirements of national standards.

Since we are in the upstream sector within the cigarette packaging paper manufacturing value chain, as advised by our PRC Legal Advisers, we are not subject to the Notice on the Domestic Cigarette Packaging Labels. Our Directors are of the view that the Notice on the Domestic Cigarette Packaging Labels does not have any material impact on overall customer demand, the production volume of the cigarette packages, or on our Group's operations or financial position as this notice only affects the printing requirements of the cigarette packages but not the cigarette packaging paper that we produce for our customers.

Cigarette control

Pursuant to the Regulations on the Administration of Sanitation at Public Places (《公共場所衛生管理條例》) which came into effect on 1 April 1987 and was last amended on 23 April 2019, and the Detailed Rules for the Implementation of the Regulations on the Administration of Sanitation at Public Places (《公共場所衛生管理條例實施細則》) which took effect on 1 May 2011 and was last amended on 26 December 2017, smoking is prohibited in indoors public areas.

Based on the Regulations on the Administration of Sanitation at Public Places, various provincial and municipal government authorities such as Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Tianjin, Wuhan, Hangzhou, Zhangjiakou, Lanzhou, Fuzhou, Xining, Qingdao, Yinchuan and etc., had issued their detailed rules on smoking control in public areas in recent years, which provides the legal basis for imposing penalties against those who violate the rules.

LAWS AND REGULATIONS RELATING TO PRODUCTS QUALITY AND SAFETY

Production quality

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

Production safety

According to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), which came into effect on 1 November 2002 and was amended on 27 August 2009, 1 December 2014 and 1 September 2021, a manufacturing enterprise shall strengthen the management of production safety, establish and develop production safety accountability systems and maintain safe production facilities to ensure production safety. Education and training for production safety shall be provided for employees to ensure that they are equipped with the necessary knowledge of production safety, sufficient understanding of the relevant rules and regulations and the skills for safe operations according to their respective positions. In addition, a manufacturing enterprise shall provide the workers with education and training on production safety. A manufacturing enterprise with over 100 production workers shall establish a production safety management department to strengthen the safety of production facilities or assign special personnel for production safety management.

Special equipment

In accordance with the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) which took effect on 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) which came into effect on 1 June 2003, subsequently amended on 24 January 2009 and came into effect on 1 May 2009, "special equipment" refers to boilers, pressure vehicles (including gas cylinders), pressure pipelines, elevators, lifting appliances, yard (factory) special motor vehicles, passenger ropeways, and large amusements devices, which relate to the safety of human lives or having high risks. As required by the Regulations on Safety Supervision of Special Equipment, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position on the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators and other devices shall not engage in corresponding operation or management until they have passed the examination organized by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment.

Fire Control

Pursuant to the Fire Control Law of the PRC (《中華人民共和國消防法》) which took effect on 1 September 1998 and with the latest amendment on 29 April 2021, the above laws and regulations shall be applicable to the fire control supervision and control of construction, expansion, alteration and other construction projects. The Ministry of Housing and Urban-Rural Development shall, in accordance with the law, conduct fire control design review, inspection, filing and spot check of fire control facilities of construction projects to oversee the fire control of construction projects.

LAWS AND REGULATIONS RELATING TO LAND, PLANNING AND CONSTRUCTION

Land

The Land Administration Law of the PRC (《中華人民共和國土地管理法》promulgated by the Standing Committee of the National People's Congress (the "**NPCSC**") on 25 June 1986, implemented on 1 January 1987 and revised on 29 December 1988, 29 August 1998, 29 December 1998, 28 August 2004, 26 August 2019 and effective on 1 January 2020, and the Implementation Regulations for the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on 4 January 1991, implemented on 1 February 1991 and 29 July 2014, and with the latest amendment on 1 September 2021, according to which, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law and regulations.

Planning and construction

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) (the "**Urban and Rural Planning Law**") promulgated by the NPCSC on 28 October 2007, implemented on 1 January 2008 and revised on 24 April 2015 and 23 April 2019, a construction land planning permit is required for the right to use the state-owned land acquired by assignment and appropriation. According to the Urban and Rural Planning Law, to build any structure, fixture, road, pipeline or other engineering project within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the central government for a planning permit on construction project.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the NPCSC on 1 November 1997, implemented on 1 March 1998 and revised on 22 April 2011 and 23 April 2019, construction units shall, in accordance with the relevant provisions of the State, apply to the competent construction administrative departments under the prefecture-county governments or above for construction licences.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated by the State Council on 30 January 2000 and amended on 7 October 2017 and 23 April 2019, and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the former Ministry of Construction on 4 April 2000 and amended on 19 October 2009, construction project shall not be

delivered for use unless it has passed the completion-based check. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance check.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the NPCSC on 12 March 1984, amended on 4 September 1992, 25 August 2000, 27 December 2008 and further amended on 17 October 2020 and effective on 1 June 2021, and the Implementation Regulations of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the China Patent Bureau Council on 19 January 1985, last amended by the State Council on 9 January 2010, and effective from 1 February 2010, inventions and creations eligible for patent application are categorized into three types: invention patents, utility models and design patents. A patent is valid for a term of 20 years in the case of an invention patent and a term of 10 years in the case of a utility model and design patent, starting from the application date. The patent administrative authority under the State Council shall make decision to grant the patent right, issue the patent certificate and make registration and announcement. The patent right shall be valid from the date of announcement. The patentee shall pay an annual fee beginning with the year in which the patent right is granted. Unless otherwise provided in the Patent Law of the PRC, after the granting of patent right for an invention patent or utility model, no entity or individual is entitled to, without permission of the patentee, exploit the patent, that is, to make, use, promise the sale of, sell or import the patented product, or use the patented process and use, promise the sale of, sell or import the product directly obtained from the patented process, for production or business purposes.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the NPCSC on 23 August 1982, last amended on 23 April 2019, and took effect on 1 November 2019, as well as the Regulation on Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) adopted by the State Council on 3 August 2002, and revised on 29 April 2014. The Trademark Office of the administrative department for industry and commerce under the State Council shall take charge of trademark registration and administration across the country. Application for trademark registration shall be approved by the Trademark Office of the National Intellectual Property Administration which shall issue the trademark registration certificate and make relevant announcement. A trademark registrant shall have the right to exclusively use the registered trademark which is protected by law. The registered trademark shall be valid for a term of 10 years from the date of approval for registration. The trademark registrant may renew the registration of registered trademark upon expiry and each registration renewal is valid for a term of ten years.

LAWS AND REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the NPCSC on 5 July 1994, came into effect on 1 January 1995, and was last amended on 29 December 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the NPCSC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and came into effect on 1 July 2013, and the Implementation Regulations on the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on 18 September 2008, by the State Council, labor contracts in written form shall be executed to establish labor relationship between employers and employees. Employers shall establish and develop labor rules, regulations and systems according to PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be formed. Employers shall also set up and develop the labor safety and health system in strict compliance with the regulations and standards of labor safety and sanitation of the PRC and provide education on labor safety and sanitation for the employees to prevent work-related accidents and occupational harm. Necessary articles for labor protection in compliance with the labor safety and health requirements shall be provided to employees and regular health examination for employees engaged in work with occupational hazards shall be conducted.

Social insurance

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 NPCSC on 28 October 2010 and became effective on 1 July 2011, subsequently amended on 29 December 2018, employers and/or employees (depending on the type of specific social insurance) shall register with the competent authority and pay a number of social insurance premiums, including basic pension insurance, unemployment insurance, basic medical insurance, work injury insurance, and maternity insurance. Employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Housing provident fund

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and effective on 3 April 1999 and subsequently amended on 24 March 2002 and 24 March 2019, employers shall go to the housing accumulation fund management center to register the housing provident fund deposit, and deposit the housing provident fund for all employees on schedule. If the employer fails to pay or pay less than the housing provident fund within the time limit, the housing accumulation fund management center shall order it to pay within a time limit. If it fails to deposit the fund within the time limit, the center may apply to the people's court for enforcement.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") that took effect on 26 December 1989 and was amended on 24 April 2014, the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) (the "**Water Pollution Prevention and Control Law**") effected on 1 November 1984 with the latest amendment on 27 June 2017, the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) (the "**Solid Wastes Pollution Prevention and Control Law**") which came into effect on 1 April 1996 and with the latest amendment on 29 April 2020, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) (the "**Atmospheric Pollution Prevention and Control Law**") which took effect on 1 June 1988 and was last amended on 26 October 2018 and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) (the "**Environmental Noise Pollution Prevention and Control Law**") which took effect on 1 March 1997 and with the latest amendment on 29 December 2018, according to which, all entities and individuals shall have the obligation to protect the environment. Enterprises, public institutions and other business operators that discharge waste water, sewage, waste residues, waste gas, malodorous gases, dust, noise and any other pollutant generated during the production, construction and other activities shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system, and specify the responsibilities of the persons in charge and relevant personnel thereof.

Discharge of waste water

According to the Water Pollution Prevention and Control Law, the discharge of waste water shall not exceed the national or local standards for the discharge of water pollutants and the total discharge control index of key water pollutants. The enterprises that discharge industrial waste water shall take effective measures to collect and treat all the waste water so as to prevent environmental pollution.

Solid waste pollution

According to the Solid Wastes Pollution Prevention and Control Law, entities and individuals shall take measures to reduce the amount of solid waste generated, promote the comprehensive utilization of solid waste and reduce the hazards of solid waste. Entities and individuals that generate, collect, store, transport, utilize, and dispose of solid waste shall take measures to prevent or reduce the environmental pollution caused by solid waste, and shall be liable for the environmental pollution caused by it in accordance with the law.

Atmospheric pollution

The competent department for the ecological environment of the State Council or the people's governments of provinces, autonomous regions, and municipalities directly under the central government have formulated atmospheric pollutant emission standards based on atmospheric environmental quality standards and national economic and technical conditions. In accordance with Atmospheric Pollution Prevention and Control Law, the enterprises which discharge pollutants into the atmosphere shall comply with the standards and comply with the requirements for total discharge of key atmospheric pollutants.

Noise pollution

Entities that produce environmental noise pollution shall take measures to control and pay fees for excessive discharge of noise pollutants in accordance with Environmental Noise Pollution Prevention and Control Law. Industrial enterprises that produce environmental noise pollution shall take effective measures to reduce the impact of noise on the surrounding living environment.

Environmental impact assessment and Acceptance of environmental protection of construction projects

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and amended on 2 July 2016 and amended 29 December 2018, the Administrative Rules on Environmental Protection of Construction Projects 《建設項目環境保護管理條例》) promulgated on 29 November 1998 and amended on 16 July 2017, the Classified Management Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition) (《建設項目環境影響評價分類管理名錄》(2021年版)) effected on 1 January 2021 and the Measures on Filing Administration of Environmental Impact Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》) came into effect on 1 January 2017, for construction projects with environmental impact carried out within the territory of the PRC subject to the jurisdiction of the PRC, environmental impact assessment shall be conducted according to relevant laws. The State implements classification-based management on the environmental impact assessment of construction projects based on the impact of the construction projects on the environment. Constructors shall prepare Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form according to the Classified Management Catalogue of Environmental Impact Assessments for Construction Projects. The constructors shall submit the Environmental Impact Report and Environmental Impact Statement of construction projects to the competent authorities for ecology with approving power for approval, and shall complete the filing procedures for the Environmental Impact Registration Form. For construction projects, the Environmental Impact Report or Environmental Impact Statement of which failed to be approved by relevant approving department, the constructors shall not commence construction. The environmental protection facilities that are required to be built together with the construction projects shall be designed, constructed and put into operation simultaneously with the construction of the main body. Upon completion of the construction projects that required the preparation of the Environmental Impact Report and Environmental Impact Statement, the constructors shall perform inspection and

acceptance procedures for the environmental protection facilities and prepare the inspection report in accordance with the standards and procedures required by the competent administrative authorities for environmental protection under the State Council.

Pollutant discharge permit

Pursuant to the Environmental Protection Law, the Water Pollution Prevention and Control Law, the Solid Wastes Pollution Prevention and Control Law and the Atmospheric Pollution Prevention and Control Law, the PRC adopts the pollutant discharge permit administration system. The enterprises, public institutions and other business operators that are subject to the pollutant discharge permit administration shall discharge pollutants according to the requirements under the pollutant discharge permit and shall not discharge pollutants without obtaining the pollutant discharge permit. Pursuant to the Measures for Administration of Pollutant Discharge Permit (For Trial Implementation) (《排污許可管理辦法(試行)》) which took effect on 10 January 2018 and was last amended on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permit for fixed pollution sources according to relevant laws. The enterprises, public institutions and other business operators included in the classification administration list of pollutant discharge permit for fixed pollution sources shall apply for and obtain a pollutant discharge permit within the limited time period.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**") which was promulgated on 16 March 2007, and came into effect on 1 January 2008, and last amended on 29 December 2018, and the Regulation on Implementation of 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》) (the "**Regulation on Implementation of the EIT Law**") which was promulgated by the State Council on 6 December 2007, came into effect on 1 January 2008, amended by the State Council on 23 April 2019, and came into effect on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established production and operation facilities in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose "de facto management bodies" are within the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A 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 or any other gains realized on the transfer of shares by 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. High-tech enterprises to which the State needs to give key support are given a reduced enterprise income tax rate of 15%.

According to the Administrative Measures for Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) effected on 1 January 2008 and amended on 29 January 2016, a high and new technology enterprise recognized under the Administrative Measures for Determination of High and New Technology Enterprises may apply for enjoying the tax preferential policies in accordance with the EIT Law, the Regulation on Implementation of the EIT Law and other relevant laws and regulations. The certificate of a high and new technology enterprise shall be valid for three years from the date of issuance of the certificate. An enterprise which is recognized as a high and new technology enterprise is entitled to tax preference from the year in which the high and new technology enterprise certificate is granted.

For research and development expenditures incurred by enterprises in the development of new technology, new products and new skills, if these expenditures have not been reflected in the profit or loss for the same period as intangible assets, enterprises are allowed to make a deduction of 100% of the actual cost of research and development; if these expenditures have been reflected as intangible assets, enterprises are allowed to make an amortization of 200% of the cost of intangible assets.

Withholding tax

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong (《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》) (the "**Double Tax Avoidance Arrangement**") entered into between Mainland China and the HKSAR on 21 August 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest of the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws. However, according to the Notice on the Certain Issues with respect to the Enforcement of Dividend Provisions in 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》), which was promulgated by the STA on 20 February 2009, and came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the 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 STA on 3 February 2018, and effective on 1 April 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

According to the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值税暫行條例》) which was promulgated on 13 December 1993, came into effect on 1 January 1994, last amended on 19 November 2017, and the Details Rules for Implementation of the Interim

Regulation on Value Added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) which was promulgated on 25 December 1993, and last amended on 28 October 2011, came into effect on 1 November 2011, unless otherwise provided, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovable properties, or import goods within the territory of the PRC shall pay a value-added tax at the rate of 0%, 6%, 11%, and 17% for different goods sold or different services rendered.

On 19 November 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止<中華人民共和國營業税暫行條例>和修改<中華人民共和國增值税暫行條例>的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement labor services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value Added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》), issued on 4 April 2018, and became effective on 1 May 2018, value-added tax taxpayers who were previously subject to rates of 17% and 11% for taxable sales or imported goods shall be subject to an adjusted 16% and 10% rates respectively. According to the Notice on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) effected on 1 April 2019, the value-added tax rate was reduced to 13% and 9% respectively.

Cigarette consumption tax

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation Regarding the Adjustment of Cigarette Consumption Tax (《關於調整卷煙消費税的通知》) which took effect on 10 May 2015, the cigarette consumption tax on cigarette wholesale prices has increased from 5% to 11% and a specific tax will be levied at RMB0.005 per cigarette.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and was last amended on 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China in June 1996 and came into effect on 1 July 1996, according to which, Renminbi for current account items is freely convertible, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans and investments in securities outside of the PRC, unless the prior approval or record-filing of the State Administration of Foreign Exchange (the "**SAFE**") or its local counterpart is obtained.

According to the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Administration Policies for Foreign 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》) which took effect on 17 December 2012 and was last amended on 4 May 2015, the previous approving procedures were

significantly simplified by cancelling the requirement for the opening of a foreign exchange account or the entry of any amount in the foreign exchange accounts under direct investment, and instead, the bank can open the account for the relevant client according to the information registered in the relevant system of the SAFE.

According to the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investing and Financing Overseas and Roundtrip Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) which was promulgated by the SAFE on 4 July 2014 and came into effect on the same date, before a domestic resident contributes its legally owned onshore or offshore assets or equity to a special purpose vehicle (the "**SPV**"), the domestic resident shall conduct foreign exchange registration for offshore investment with the SAFE. Where a domestic resident contributes its legally owned onshore assets or equity, it shall apply to the local branch of SAFE of the registration place, or the local branch of SAFE of the location of the domestic enterprise's assets or equity for going through the procedures for registration. Where a domestic resident contributes its legally owned offshore assets or equity, it shall apply to the local branch of SAFE of the registration place, or the local branch of SAFE of the location of household registration for going through the procedures for registration.

The Notice of State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy for Overseas 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》) which was promulgated on 13 February 2015, came into effect from 1 June 2015 and was partially invalidated by the Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性檔及7件外匯管理規範性檔條款的通知》) lifted the requirement of administrative approval in relation to foreign exchange registration and approval for offshore direct investment, which was changed to the mechanism that the banks directly review and complete the foreign exchange registration for offshore direct investment. Where a domestic resident individual makes an offshore investment with its onshore assets or equity, such individual shall complete the foreign exchange registration for SPV owned by the domestic resident individual at the bank of the location of the domestic enterprise's assets or equity.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the PRC Company Law and the Foreign Investment Law. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTINGS

M&A rules

The Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the "**M&A Rules**") was jointly promulgated by six PRC governmental authorities including the MOFCOM, the STA, the SAFE, the SAMR, the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission (the "**CSRC**") on 8 August 2006, and last amended on 22 June 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing of the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the assets of a domestic company by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Laws and regulations relating to overseas listing

On 24 December 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively the "**Draft Regulations on Listing**") for public comments.

Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant authority in the place of intended listing. Meanwhile, overseas offerings and listings are prohibited under certain circumstances, including but not limited to that (i) the PRC domestic companies are explicitly prohibited by PRC laws and regulations; (ii) the intended overseas offerings and listings constitute threat to or endanger national security as reviewed and identified by competent PRC authorities; (iii) there are material ownership disputes over equity, major assets, and core technologies, etc.; (iv) the PRC domestic companies and/or their controlling shareholders and actual controllers have committed criminal offences of embezzlement, bribery, misappropriation of property, or sabotage of the order of the socialist market economy in recent three years, or are currently under judicial

investigations for suspicion of criminal offences or major violations of laws and regulations; and (v) the directors, supervisors, or senior management of the PRC domestic companies have been subject to administrative punishments for severe violations in recent three years, or are currently under judicial investigations for suspicion of criminal offenses or major violations of laws and regulations (together the "**Forbidden Circumstances**"). Our PRC Legal Advisers have conducted public searches against our PRC incorporated subsidiaries, Mr. Chen, as well as our Directors and members of our senior management, and was not aware that any of them had been involved in relevant criminal offences or administrative penalties that would prohibit us from proceeding with overseas listing under the Draft Regulations on Listing. To our best knowledge and after our PRC Legal Advisers' due inquiry, if the Draft Regulations on Listing become effective and implemented in their current form, we believe that we do not fall within any of the Forbidden Circumstances which would prohibit us from proceeding with overseas listing under the Draft Regulations on Listing and our Directors do not foresee any impediment for us to comply with the Draft Regulations on Listing in any material aspects.

At the press conference held for the Draft Regulations on Listing on 24 December 2021, the spokesperson from the CSRC clarified that implementation of the Draft Regulations on Listing will follow the non-retroactive principle, which means that only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies to be conducted after the Draft Regulations on Listing become effective will be required to complete the filing process. In addition, the Draft Regulations on Listing will grant a proper transition period for existing overseas listed companies that do not have subsequent financing activities to comply with the filing requirement. Therefore, our PRC Legal Advisors are of the view that if the Draft Regulations on Listing become effective in their current form before our Listing, we may be required to complete the filing procedures with the CSRC in connection with the Listing; or if the Draft Regulations on Listing come into effect after our proposed Listing, it will not be applied retrospectively, which we are not required to complete the CSRC filing procedures.

Further, the Draft Regulations on Listing apply to overseas offerings and listings of PRC domestic companies, but it does not raise new compliance requirements for business operations of PRC domestic companies. As such, our Directors and our PRC Legal Advisors do not foresee the Draft Regulations on Listing, if become effective and implemented in their current form, would have a material adverse impact on our business operations.

Our PRC Legal Advisers are of the view that, given the Draft Regulations on Listing are still in their draft forms and have not come into effect, as at the Latest Practicable Date, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to the Listing. Further, as at the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by either the CSRC or other relevant industry authorities in effect that would explicitly require the Company to comply with any approval, verification or filing procedures for the proposed Listing, and we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime. Based on the foregoing, our Directors and our PRC Legal Advisers do not foresee the Draft Regulations on Listing would have any material adverse impact on our business operations and the proposed Listing and the Group will be able to comply with the Draft Regulations on Listing in all material aspects.