OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations which are relevant to our Group's operations and business in Singapore, the United States, Malaysia and Vietnam. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

SINGAPORE LAWS AND REGULATIONS

License, Registration and Permits

Appointed under section 3 of the Sale of Food Act 1973 (the "**SFA**"), the Singapore Food Agency (the "**Agency**") was formed as a statutory board under the Ministry of the Environment and Water Resources (the "**MEWR**") on 1 April 2019 to oversee food safety and food security in Singapore. The establishment of the Agency brought together food-related functions that used to be carried out by three separate arms (being the former Agri-Food & Veterinary Authority of Singapore, the National Environment Agency and the Health Science Authority) under one single entity. Under section 5 of the Singapore Food Agency Act 2019, the Agency's functions include, amongst others, the accreditation of persons in the food industry.

Food Business Registration

As part of the Agency's food safety system pipeline, (i) establishments where food is manufactured, processed, prepared or packed for the purpose of distribution to wholesalers and retailers; (ii) cold stores that are used for the storage of meat and/or fish products and (iii) slaughterhouses for slaughtering of animals such as poultry, are required to obtain a licence issued by the Agency in order to operate in Singapore.

Pursuant to section 21 of the SFA, "*a person must not carry on a non-retail food business except in accordance with a licence issued to the person by the Director-General under this Part*". In this regard, "non-retail food business" is defined under section 2F of the SFA and includes, amongst others, "*central kitchens supplying food prepared, cooked and packed for the purpose of distribution to retail food businesses*". Failure to comply with the requirements under this section 21 of the SFA is an offence and pursuant to section 24(1) of the SFA, such person may be arrested without a warrant by any police officer or authorized officer and taken before a Magistrate's Court.

In relation to the use of premises that carry out such central kitchen operations (as defined above), pursuant to section 12 of the Wholesome Meat and Fish Act 1999 (the "**WMF**"), "*[a] person must not use any premises or permit any premises to be used as a processing establishment or a cold store except under and in accordance with the conditions of a licence granted by the Director-General*". Pursuant to section 12(2) of the WMF, a person who uses any premises as a processing establishment or a cold store without a licence, upon conviction, may be liable to a fine not exceeding SGD10,000 or to imprisonment for a term not exceeding twelve (12) months or to both.

Material Regulations and Procedures to Register a Restaurant in Singapore

All food retail establishments must be licensed in Singapore by the Agency in order to operate. In this regard, section 2 of the Environmental Public Health Act 1987 (the "**EPHA**") defines "food establishment" to mean any place or any premise or part thereof used for the sale, or for the preparation or manufacture for sale, or for the storage or packing for sale, of food, whether cooked or not, intended for human consumption.

Pursuant to section 32 of the EPHA, "*A person must not operate or use or knowingly permit a food establishment to be used for any of the purposes specified in the First Schedule without first obtaining a licence from the Director-General, Food Administration*". In this regard, paragraph 1 of the First Schedule of the EPHA describes a retail food establishment as a place "*where food is sold wholly by retail (whether or not the food sold is also prepared, stored or packed for sale or consumed at such premises), including (a) an eating establishment, such as a restaurant*".

Failure to comply with the requirements under section 32 of the EPHA is an offence and upon conviction, pursuant to section 41A(1)(b) of the EPHA, such person shall be liable to a fine not exceeding SGD10,000 and, where the person is a repeated offender, a fine not exceeding SGD20,000 or to imprisonment for a term not exceeding three (3) months or to both. Further, regulation 5(1) of the Environmental Public Health (Food Hygiene) Regulations (the "**EPH Regulations**") states that "*Every licensee shall use the licensed premises only for the purpose for which the licence is granted*". In particular, regulation 6(2) of the EPH Regulations states that "*A licensee who is permitted to carry out food catering shall insert his licence number in all advertisements relating to his food catering business*".

Specific Licences and Registration

A licence is also required where:

(a) fresh fruit or vegetable is imported for sale, supply, distribution or transshipment pursuant to section 7 of the Control of Plants Act 1993 (the "**CPA**"); and

(b) meat products and fish products are imported, exported or transshipped pursuant to section 5(1) of the WMF or imported for sale, supply or distribution in Singapore pursuant to section 6(1) of the WMF.

(each a "**Product Licence**", collectively, the "**Product Licences**")

Registration is also required for traders who import processed food products and food appliances are imported pursuant to the Regulation 4 of the Food Regulation ("**Import Registration**").

Such Product Licence and Import Registration shall be valid for the period as stated on the respective licences or registrations unless it is revoked or renewed upon its expiry. As a general note, the licensee or registered entity is to inform the Agency within fourteen (14) days should there be any changes in relation to the particular of the licensee or registered entity. In addition, for each individual consignment of fresh fruits or vegetables, meat products or fish products and processed food products and food appliances, the licensee or registered entity is required to obtain a permit for such consignment and the import of the consignment must be carried out in accordance with the conditions of the permit and such other requirements as stated under the CPA, WMF, SFA or Food Regulations (as applicable). These conditions generally include the need for the products transhipped to comply with prescribed/sanitary standards and do not include any prohibited substances (e.g. prohibited pesticide residues). A failure to obtain the necessary permits for each consignment is an offence and is punishable under the respective acts.

The Agency regularly inspects all food processing establishments to ensure that the licensees and their food production personnel adhere to good manufacturing practices and implement food safety programmes for the safe production of food on such premises.

For the supply of liquor, pursuant to section 4(1) of the Liquor Control (Supply and Consumption) Act 2015 (the "**LCA**"), "*a person must not supply any liquor unless the person is authorised by a liquor licence to supply the liquor*". In this regard, "supply" is defined under section 2 of the LCA to include, amongst others, to sell, offer or agree to sell, barter or exchange the liquor (whether the reward or consideration is received or to be received by the supplier specifically for the liquor or as part of services or other goods sold, bartered or exchanged) or to serve, send, forward or deliver the liquor in connection with sale, barter or exchange and includes causing or permitting to be supplied.

Section 5(1) of the LCA notes that, "*where licensed premises are specified in the liquor licence of a licensee, the licensee must not supply any liquor except at those licensed premises*". Failure to comply with this section 5(1) is an offence and shall, on conviction, be subject to a fine not exceeding SGD10,000. Further, section 6(1) of the LCA also provides that the supply of alcohol is only permitted, amongst such other conditions, during the trading hours specified in the liquor licence. It is an offence under the LCA for a person to supply liquor without a valid licence, and pursuant to section 4(3) of the LCA, such person may, on conviction, be subject to a fine not exceeding SGD20,000 and a repeated offender may be subject to a fine not exceeding SGD20,000 or to imprisonment for a term not exceeding three (3) months or to both. Notably, pursuant to section 32(1) of the LCA, any offence under the LCA by a body corporate may also result in the officer-in-charge (e.g. licence holder) being charged and tried in the same manner as the body corporate, if such offence is committed with the officer's consent or is attributable to his/her act or default.

Laws and Regulations on Food Safety and Environment Matters

Food Safety

1. General Requirements under the SFA and the Food Regulations

Pursuant to section 56 of the SFA, the minister may make regulations on, amongst others, (a) prescribing the standard of strength, weight, quality or quantity of any food or of any ingredient or component part thereof; (b) prohibiting the addition or use of any specified thing or of more than the specified quantity or proportion thereof to any food or food contact article; (c) regulate the identification and labelling of food or food contact articles for sale, including specifying the matter that must or must not be contained in any such label and the manner of labelling; (d) set out standards for the maintenance, cleanliness, sanitation and hygiene of premises at which a non-retail food business is carried out; or (e) set out requirements that apply to imported food or food contact articles to ensure that the food or food contact article is safe and suitable and to support a secure and reliable supply of imported food in Singapore, including keeping of records in relation to the source or traceability and handling of the food or food contact article imported.

In relation to the above, the Food Regulations enacted pursuant to section 56(1) of the SFA sets out general requirements, amongst others, in relation to (i) labelling of products; (ii) restrictions against importation and manufacturing of food articles containing regulated food additives; and (iii) restrictions against the importation and sale of products containing such prohibited incidental constituents. Part IV of the Food Regulations also specifically sets out the standards and particular labelling requirements for different categories of food products. A person who fails to comply with the requirements under the Food Regulations shall, upon conviction, be liable to a fine not exceeding SGD1,000 and in the case of a second or subsequent conviction, to a find not exceeding SGD2,000.

2. General Food Hygiene Requirements under the Sale of Food (Food Establishments) Regulations

Further, the Sale of Food (Food Establishments) Regulations (the "**SFA Regulations**") sets out general food hygiene requirements in relation to (i) the storage of food, (ii) the packaging of food, (iii) the transportation of food, and (iv) personal cleanliness for those engaged in the preparation of food. With regards to point (iii) above (the transportation of food), pursuant to section 23(1) of the SFA also requires that, "*[a]ny person who uses a vehicle to transport food must ensure that the surface of the vehicle with which the food is likely to come into contact is kept in a state of cleanliness, good order and condition so as to prevent any risk of contamination of the food*". A licensee who contravenes the regulations under the SFA Regulations shall be guilty of an offence and shall be liable, on conviction, to a fine not exceeding SGD5,000 and, in the case of a continuing offence, to a further fine not exceeding SGD100 for every day or part thereof during which the offence continues after conviction.

3. General Food Hygiene Regulations under the Environmental Public Health (Food Hygiene Regulations)

Similarly, Part III of the Environmental Public Health (Food Hygiene) Regulations (which is enacted pursuant to section 111 of the EPHA) (the "**EPHA Regulations**") also sets out general food hygiene standards that licensees (i.e. food establishment licensees) have to adhere to generally. Amongst others, these include storage and refrigeration of food requirements and time-stamping requirements. On this note, failure of a licensee to comply with the requirements under the EPHA Regulations, shall upon conviction, be liable to a fine not exceeding SGD2,000 and in the case of a continuing offence, to a further fine of not exceeding SGD100 for every day or part thereof during which the offence continues after conviction. Notwithstanding, this may affect the licensing and renewal (if any) of the licensee's licence granted under the EPHA.

4. Food Processing and Food Handling

All food processing establishments, cold stores and slaughterhouses must comply with the WFA, SFA and the Conditions of Licensing for Food Establishments prescribed by the Agency dated September 2010. Food handlers (e.g. chefs, cooks and kitchen assistants) working in food retail establishments must complete the WSQ Food Safety Course Level 1 certification and thereafter, be registered with the Agency. Such persons is also required to attend and complete a refresher course training every five (5) years starting from the date of first obtaining the Food Safety Course Level 1 certification. Pursuant to Regulation 10A of the EPHA Regulations, licensees are also required to appoint a senior staff member to be trained as a Food Hygiene Officer, who must also be registered with the Agency.

5. Points Demerit System

The Agency imposes a Points Demerit System whereby demerit points are given for each public health offence that is convicted in court or compounded, depending on severity, ranging from 0 demerit points for minor offences, 4 demerit points for major offences, to 6 demerit points for serious offences. Pursuant to section 99 of the EPHA, food establishments which accumulate twelve (12) or more demerit points within any twelve (12) month period may have its licence to operate suspended for a certain period or be revoked, depending on past suspension records.

6. Grading Scheme for Licensed Eating Establishments and Food Stalls

The Agency also conducts annual on-site audit assessments on Agency-licensed local food establishments to determine their grading status and provide on-site advice to help them improve and upgrade their premises. All licensed food establishments (including cold stores, slaughterhouses and food processing establishments) in Singapore are categorized into four (4) grades (A being excellent to D being pass). Each food establishment will be graded annually based on its food hygiene and food safety standards

before its licence expires. The grade awarded will encourage the establishment to strive for better grades and seek improvement in food hygiene and safety standards. The areas of audit assessment of food establishments include (but are not limited to) general cleanliness and housekeeping of premises, food storage, food processing equipment and facilities, food hygiene training and documentation.

From 2023, a new food safety licensing framework, the Safety Assurance for Food Establishments (the "**SAFE**"), will replace the current annual grading scheme. Under the SAFE framework, food establishments will be awarded Bronze, Silver or Gold, which corresponds each with a three (3), five(5), or ten(10) year licence duration. Food establishments will be assessed based on their track records, such as having no major food safety lapses over a specific period, as well as being able to put in place systems to strengthen food safety assurance.

Public Health and Environmental Matters

*1. Code of Practice on Environmental Health (2021 Edition) (the "**COPEH**")*

Issued by the National Environment Agency, the COPEH provides the guidelines to address environmental health concerns in the design of buildings. The COPEH sets out the objectives to be met and stipulates the minimum basic design criteria. Specifically, section 3 of the COPEH sets out design criterias relating to the ventilation, ducting and kitchen exhaust systems for foodshops at building plan and pre-operation (pre-licensing) stages which should be complied with when the Companies are renovating leased properties for the operation of the restaurant business.

Separately, pursuant to section 26 of the Fire Safety Act 1993 (the "**FSA**"), it is an offence if "*the owner or occupier causes, or does or omits to do anything that is likely to cause, a specified fire hazard to arise at the building*". Section 2 of the FSA defines a "specified fire hazard" to include, amongst others "*the obstruction of escape routes, passageways, common property or limited common property of the building such as might render escape in the event of fire more difficult*".

2. COVID-19 Pandemic

In light of the COVID-19 Pandemic, organizations are required to adhere to additional requirements stipulated under the COVID-19 (Temporary Measures) (Control Order) Regulations 2020 and any other applicable laws that may be promulgated during the pandemic period from time to time. In this regard, amongst others, the Agency has put in place new requirements to all personnel engaged in the sale and preparation for sale of food and drinks, such as the requirement to wear masks or other forms of physical barrier. On 3 February 2020, in response to the growing COVID-19 pandemic situation in Singapore, the Agency issued the "Sanitation and Hygiene Advisory for Food Establishments", which sets out good practices recommended collectively by the Agency

and the National Environment Agency relating to personal hygiene, food hygiene, housekeeping or refuse management, toilets and pest control. These practices recommended continue to be in force today.

Since 13 April 2020, the requirement for all personnel engaged in the sale and preparation for sale of food and drinks to wear masks or other forms of physical barrier was introduced as a new licensing condition. Both new licence applicants and existing licence holders are required to adhere to this condition, failing which they shall be liable for a penalty of up to SGD5,000 and/or suspension/cancellation of their licence. Further, with regards to dining and restaurant operations, all of food and beverage venues should take guidance from the advisory issued relating to Safe Management Measures dated 26 April 2022.

Labor, Employment & Work Safety

Employment Act 1968

The Employment Act 1968 of Singapore ("**EA**") is administered by the Ministry of Manpower ("**MOM**") and stipulates the rights and obligations of employers and employees. As a general note, the EA covers every employee who is under a contract of service with an employer, including workman (Part IV of the EA). Specifically, section 2 of the EA defines an "employee" to mean "*a person who has entered into or works under a contract of service with an employer and includes a workman*". Notably, since 1 April 2019, managers and executives with a monthly basic salary of more than SGD4,500 are also covered under the EA. In particular, not all parts of the EA are applicable to every employee or employer who comes within the definition of an employee (as highlighted above). In this regard, Part IV of the EA sets out rest days, hours of work, holidays and other conditions of service that apply only in relation to:

(a) workman who is in receipt of a salary not exceeding SGD4,500 a month; and

(b) every employee (other than a workman or a person employed in a managerial or an executive position) who receives a salary not exceeding SGD2,600 a month.

(in both instances, excluding overtime payments, bonus payments, annual wage supplements, productivity incentive payments and any allowance however described)

The EA also provides for regulations relating to (i) the minimum number of days of annual leave, (ii) paid public holidays and sick leave, and (iii) statutory protection against wrongful dismissal, for all employees covered under the EA. To this end, the leave entitlements under Part 10 of the EA are mandatory for any employee that falls within the scope of the EA. Section 90 of the EA provides that where an employer employs any person as an employee contrary to the provisions of Part 10 or fails to pay any salary in accordance with the provisions of Part 10 shall be guilty of an offence and shall be liable on first conviction to a fine not exceeding SGD5,000.

Employment of Foreign Manpower Act 1990

Together with the Immigration Act 1959 and the Employment Agencies Act 1958, the employment of foreign employees in Singapore is governed and regulated by the Employment of Foreign Manpower Act 1990 (the "**EFMA**") and its subsidiary regulations, which are also administered by the MOM. Specifically, the EFMA regulates and protects the well-being of foreign workers in Singapore and sets out the responsibilities of employers who employ such foreign workers. In this regard, section 5(1) of EMFA states that an employer "*must not employ a foreign employee unless the foreign employee has a valid work pass*". Any employer who employs a foreign employee without a valid work pass shall be guilty of an offence and shall, on conviction, be liable to a fine of at least SGD5,000 and not more than SGD30,000 or to imprisonment for a term not exceeding twelve (12) months or to both.

In this regard, a "foreign employee" is defined under section 2 of the EMFA to include, amongst others, "*any foreigner, other than a self-employed foreigner, who seeks or is offered employment in Singapore*". Further, section 5(3) of the EFMA specifically states that the employment of a foreign employee must be in accordance with the conditions of his or her work pass, failing which such employer shall be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD10,000. Employers are also required to comply with the conditions stipulated under the Employment of Foreign Manpower (Work Passes) Regulations 2012 for each specific work pass type. This includes, amongst others, the requirement to purchase and maintain medical insurance coverage of at least SGD15,000 per 12-month period of the foreign employee's employment for work permit and S-pass holders.

Foreign Worker Quota and Levy

To employ migrant workers for the services sector, a company is required to meet specific requirements relating to business activity, worker's source country or region, quota and levy. The number of work permit holders that a company can hire is limited by a quota and subject to a levy. Introduced by the government to regulate the foreign manpower numbers in Singapore, the employer is required to pay foreign worker levy (the "**FWL**") in relation to its employees holding a work permit or S pass. The amount of FWL to be paid for each such worker is determined by the sector the employer/company belongs to, and the educational qualifications and skills of the specific employee. In general, based on the latest guidelines by the Ministry of Manpower, updated as of January 1, 2022, the formula for the maximum number of foreign workers that would apply to businesses falling under the "services" sector (including restaurants and approved food establishments) is multiplying the Local Qualifying Salary (the "**LQS**") count (i.e., the number of local workers who can be used to calculate the work permit and S-pass quota entitlement) by 0.538462. The LQS count is based on the average of 3 months' CPF (as defined below) contributions. Presently, the LQS is SGD1,400 (i.e., a local worker who earns at least SGD1,400 per month is considered one (1) local worker whilst a local worker earning at least SGD700 but below SGD1,400 is considered a half (0.5) local worker). From September 1, 2022 onwards, companies who employ foreign workers are required to pay progressive wages ("**PW**") to local workers covered by relevant sectoral or occupational PWs (for example, amongst others, cleaning, security and landscape maintenance sectors) and at least the LQS to all other local workers (full time or part-time workers).

Central Provident Fund

The central provident fund (the "**CPF**") is a mandatory social security savings scheme funded by contributions from employers and employees (Singapore Citizens and permanent residents only) and is considered a key pillar in Singapore's social security system to meet the retirement, housing and healthcare needs of Singapore Citizens and Permanent Residents. The rate of contribution into CPF is dependent on the age of the employee and can range from 12.5% to 37% of one's monthly wages and is as set out in the First Schedule of the Central Provident Fund Act 1953 (the "**CPF Act**"). Specifically, section 9 of the CPF Act provides that where an employer fails to make the necessary contributions in respect of any month when due, the employer is liable to pay interest on the amount for every day the amount remains unpaid at a rate of 1.5% per month or the sum of SGD5, whichever greater.

Workplace Safety and Health Act

Section 12 of the Workplace Safety and Health Act 2006 (the "**WSHA**") requires every employer to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of the employer's employees at work, including, amongst others, providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work and ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees.

Pursuant to section 24(1) of the Work Injury Compensation Act 2019 (the "**WICA**"), every employer is required to "*insure and maintain insurance under one or more approved policies with one or more designated insurers against all liabilities that the employer may incur under this Act in respect of every employee of the employer*" (such insurance known as the "**Work Injury Compensation Insurance**"). Such liability includes personal injury suffered by an employee by an accident arising out of and in the course of his/her employment. Notably, section 24(2)(a) of the WICA read with Paragraph 1 of the Second Schedule of the Work Injury Compensation (Insurance) Regulations 2020 notes that Work Injury Compensation Insurance is mandated only for any employee doing manual work (regardless of salary level) and all employees doing non-manual work, earning a salary of SGD2,600 or less a month (excluding any overtime pay, bonus pay, annual wage supplement, productivity incentive payment or allowance).

Laws & Regulations in relation to Taxes

Corporate Income Tax

Companies (whether resident or non-resident) that carry on a business in Singapore are taxed on (i) their Singapore-sourced income when it arises and (ii) on foreign-sourced income when it is remitted or deemed remitted to Singapore. Under the Income Tax Act 1947 (the "**ITA**"), the prevailing corporate income tax rate is 17%, and a company's statutory income (for

the purposes of determining assessable and chargeable income) is based on the full amount of its income for the year preceding the year of assessment (the "**YA**"). For the avoidance of doubt, a "year of assessment" refers to a period of twelve (12) months between 1 January and 31 December of a given year.

1. Tax incentives

Under section 43(1) of the ITA, every company will be taxed at the rate of 17% of chargeable income for each YA unless, amongst others, a company falls under (a) the partial tax exemption in section 43(6) of the ITA applicable to all companies save for Qualifying Companies (the "**Partial Tax Exemption**"); or (b) the tax exemption for "qualifying company[ies]" in section 43(6C) of the ITA (the "**Qualifying Company[ies]**") in their first three YAs, provided such YAs fall on or after YA 2008 (the "**Qualifying Company Tax Exemption**").

Under the Partial Tax Exemption, a company is subject to the tax rate of 17% under section 43(1) of the ITA, save that for YA 2008 to 2019, for every dollar of the first SGD10,000 of chargeable income, only 25% is chargeable with tax and every dollar of the next SGD290,000 of chargeable income, only 50% is chargeable with tax. For YA 2020 and subsequent YAs, for every dollar of the first SGD10,000 of the chargeable income, only 25% is chargeable with tax, and for every dollar of the next SGD190,000 of the chargeable income, only 50% is chargeable with tax.

Under the Qualifying Company Tax Exemption, a Qualifying Company in its first three (3) YAs (each a "**Qualifying YA**") which fall after YA 2008, is subject to the tax rate of 17% under section 43(1) of the ITA, save that for YA 2008 to 2019, every dollar of the first SGD100,000 of chargeable income is exempted from tax and every dollar of the next SGD200,000 of chargeable income, only 50% is chargeable. For YA 2020 and subsequent YAs, only 25% of every dollar of its first SGD100,000 of chargeable income for a Qualifying YA is exempt from tax, and only 50% of every dollar of its next SGD100,000 of chargeable income for that Qualifying YA is chargeable with tax.

2. Tax Exemption

Generally, foreign income derived from outside Singapore is taxable in Singapore when remitted to and received in Singapore. Such foreign income may thus be taxed twice—once in the foreign jurisdiction and a second time in Singapore. However, certain tax reliefs are provided to alleviate any double taxation suffered in Singapore. Specifically, in relation to foreign-sourced dividends, foreign branch profits and foreign-sourced income, section 13(8) of the ITA provides that, amongst others, (i) any dividend derived from any territory outside Singapore; or (ii) any profit derived from any trade or business carried on by a branch in any territory outside Singapore of a company resident in Singapore, that is received by any person, not being an individual or resident in Singapore, is exempt from tax, provided that, amongst others: (a) the income is subject

to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received; (b) at the time the income is received in Singapore by the person resident in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%; and (c) the Comptroller is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

3. Withholding tax

Singapore withholding tax (known as tax deduction at source in other countries) refers to the tax withheld and paid to the Inland Revenue Authority of Singapore (the "**IRAS**"), when a Singapore company or individual pays a non-resident payment for services of specific natures performed in Singapore. Provided for under sections 45A to 45H of the ITA, such payments include, amongst others, (i) interests, commissions or fees in connection with any loan or indebtedness; (ii) royalties or other payments for the use of or the right to use any movable property; or (iii) rent or other payment for the use of any movable property, amongst others, is subject to withholding tax when paid to non-resident companies. The rate of withholding tax is dependent on the nature of the payment. For example, payments to non-resident company director are subject to 22% withholding tax. This applies to all forms of income (salary, bonus, director's fees, accommodation, gains from stocks and shares, and other payments). However, where such payment is made to Singapore branches of non-resident company, withholding tax is waived.

Goods and Services Tax

Goods and Services Tax (the "**GST**") is a broad-based consumption tax levied on the import of goods (collected by the Singapore Customs), as well as nearly all supplies of goods and services in Singapore. This is similar to Value-Added Tax (the "**VAT**") in other jurisdictions. Under section 8(1) of the Goods and Services Tax Act 1993 (the "**GST Act**"), a person (i.e. business) who is or is required to be registered under section 9 of the GST Act is required to charge GST of 7% from and including July 1, 2007 on any taxable supply made by it in the course or furtherance of any business carried on by it. Such persons required to be registered are as set out in Paragraph 1 of the First Schedule of the GST Act, including (i) business whose total value of all its taxable supplies made in Singapore, at the end of any quarter the last day of which is a day before January 1, 2019, and immediately preceding three quarters or calendar year respectively has exceeded SGD1 million; or (ii) at the end of the year 2019 or a subsequent calendar year, the total value of all of (a) the taxable supplies made in Singapore and (b) if the subsequent calendar year is 2022 or later, the taxable supplies in Singapore under paragraph 3(2)(b)(ii) and (3A) of the Seventh Schedule of the GST Act in that calendar year, has exceeded SGD1 million.

Section 61 of the GST Act provides that where a person fails to apply for registration as required by the First Schedule of the GST Act, such persons shall be guilty of an offence and shall on conviction, (a) pay a penalty equal to 10% of the tax due in respect of each year or part thereof beginning on the date on which the person is required to make the notification or to apply for registration, as the case may be; (b) be liable to a fine not exceeding SGD10,000; and (c) be liable to a further penalty of SGD50 for every day during which the offence continues after conviction. As a registered person under the GST Act, a company is further required to file accurate GST returns and pay the tax due in a timely manner. Failure to do so would be considered an offence under the GST Act and upon conviction, may be subject to monetary penalties up to SGD10,000, depending on what the offence is.

Under the GST Act, GST may be payable on a transfer of assets in a business sale or under an amalgamation. However, pursuant to section 34A(1) of the GST Act, if the corporate reorganization involves the transfer of business (as a whole or part thereof) as a going concern, such a transaction is treated as neither a supply of goods nor a supply of services. Simply put, such a transfer would not be subject to GST.

1. Dividend Distribution

Singapore has adopted a one-tier corporate tax system pursuant to which tax paid by a Singapore resident company on its corporate profits is a final tax. Dividends payable by a Singapore resident company to its shareholders are exempt from Singapore income tax in the hands of the shareholders. There is also no withholding tax on such dividend payments on both resident and non-resident shareholders.

For completeness, section 403(1) of the Companies Act 1967 provides that no dividend is payable to the shareholders of any company except out of the profits available for distribution. This may further be subject to the company's constitution or shareholders' agreement (if any). In this regard, section 403(2) of the Companies Act further provides that every director or chief executive officer of a company who willfully pays or permits to be paid any dividend in contravention of this section, upon conviction, shall:

(a) without prejudice to any other liability, be guilty of an offence and shall be liable on conviction to a fine not exceeding SGD5,000 or to imprisonment for a term not exceeding twelve (12) months; and

(b) also be liable to the creditors of the company for the amount of the debts due by the company to them respectively to the extent by which the dividends so paid have exceeded the profits and such amount may be recovered by the creditors or the liquidator suing on behalf of the creditors.

Transfer Pricing Regulatory Framework

OECD TP Guidelines

The arm's length principle, which is the international standard for Organization for Economic Co-operation and Development ("**OECD**") member countries with respect to transfer pricing, provides broad parity of tax treatment for both associated and independent enterprises. The arm's length principle requires that taxable income be determined as the amount that would be reasonably expected if the parties were dealing at arm's length with one another.

Determining whether arm's length consideration has been provided in a controlled transaction is, in theory, achieved by contrasting or comparing the choices made and the outcomes derived by the taxpayer with those that would have resulted from the interaction of the forces of supply and demand in the open market, or from negotiations amongst independent parties in more complex settings. In effect, the arm's length principle relies upon the open market or the behavior of parties dealing independently as a benchmark. The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises which consisted of two steps.

- First by delineating the controlled transaction through identifying the "commercial or financial relations… and economically relevant circumstances attaching to those relations" between the associated enterprises; and

- Second by comparing those conditions and economically relevant circumstances with that of comparable transactions between independent enterprises.

Singapore Transfer Pricing Guidelines ("Singapore TP Guidelines")

The Singapore TP Guidelines endorse the arm's length principle as the standard to guide transfer pricing, and provide guidance on how to apply the arm's length principle to transactions between related parties. This guidance on the application of the arm's length principle remains broadly consistent with the OECD TP Guidelines.

The Singapore TP Guidelines refer to the five internationally accepted transfer pricing methods which are consistent with the OECD TP Guidelines, and state that IRAS has no specific preference for any one method. Instead, the method that produces the most reliable results, taking into account the quality of available data and the degree and accuracy of adjustments, should be chosen. The Singapore TP Guidelines include a recommendation (neither mandatory nor prescriptive) to undertake a three-step approach to apply the arm's length principle:

- Step 1: Conduct a comparability analysis — When conducting a comparability analysis, all the relevant facts and circumstances relating to the loan must be considered;

- Step 2: Identify the most appropriate transfer pricing method and tested party — The CUP method is the preferred method for determining the arm's length pricing for related party loans; and

- Step 3: Determine the arm's length results — Typically, there are three steps: (i) identify a suitable base reference rate; (ii) calculate the estimated credit rating of the borrower; (iii) once the credit rating is determined, identify comparable benchmarking data to estimate an appropriate/arm's length interest rate.

Transfer Pricing Methods

The OECD TP Guidelines and Singapore TP Guidelines set out five internationally accepted methods that establish whether the conditions imposed in the commercial or financial relations between associated enterprises are consistent with the arm's length principle. The methods are:

- The comparable uncontrolled price method ("**CUP method**") — The CUP method, in theory, can be applied to a wide range of cross border associated party dealings including royalties, interest rates, related party services, and prices for tangible products. It can be applied from the perspective of either the provider or the recipient. However, the application of the CUP method in practice is usually limited, except in relation to certain commodity transactions or where internal comparable uncontrolled transactions exist.

- The resale price method ("**RP method**") — The RP method is generally regarded as most appropriate for the pricing of product transfers to a marketing or distribution operation which does not add substantially to the product value by physically altering the product or does not contribute valuable intangibles prior to resale. Hence, this method applies from the perspective of purchaser. The RP method may be difficult to apply where, before resale; the products are further processed or incorporated into a more complicated product so that the identity is transformed;

- The cost plus method ("**CP method**") — The CP method is generally regarded as most useful where semi-finished goods are transferred between cross border associated parties, where associated parties have concluded joint facility agreements, where associated parties have long-term buy-and-supply arrangements, as well as where the controlled transactions under consideration involve the provision of services. This method would normally be applied from the perspective of the provider of the service;

- The transactional net margin method ("**TNMM**") — The TNMM compares the net profit margin from a controlled transaction with the net profit margin derived on an internal or external comparable uncontrolled transaction. The TNMM can be directly or indirectly applied to review a wide range of cross border associated party dealings

(including royalties, interest rates, related party services, and tangible products). The TNMM also provides flexibility in application, whether applied to grouped transactions or on a whole-of-entity basis; and

- The transactional profit split method ("**PS method**") — The PS method identifies the total profits derived by associated parties from a controlled transaction (or aggregated group of controlled transactions) and then splits those profits between the parties according to the relative economic value of their contributions to the transactions.

UNITED STATES LAWS AND REGULATIONS

License, Registration and Permits

Business License

A business license is a type of legal authorization to operate a business in a city, county, or state. A license may even be required on a federal level. As required by the local government, a general business license must be obtained in the city in which the business is located. For the restaurants operating in the state of California, business license certificate shall be obtained pursuant to the Union City Municipal Code. In respect of the restaurant in the state of New York, it is required to obtain a certificate of authority from the Department of Taxation and Finance subject to the New York Codes, Rules and Regulations. For the restaurants operating in the state of Washington, a business license shall be acquired from the Department of Revenue subject to the Revised Code of Washington.

Alcoholic Beverage License

Some of the Group's business in the United States involve the sale of alcoholic beverage, which need to obtain liquor licenses. In the state of California, subject to the California Alcoholic Beverage Control Act, the restaurants involving the sale of alcoholic beverage need to obtain an alcoholic beverage license from the Department of Alcoholic Beverage Control (the "**DABC**") for the state of California. To obtain an alcoholic beverage license, the restaurant must provide information to DABC as needed for the investigation, and pay for the DABC license. The restaurant must meet specific requirements, including not keeping distilled spirits on premises, operating and maintain the restaurant as a *bona fide* eating place, and making substantial sales of meals during normal meal hours. In respect of the restaurant in the state of New York, it is required to obtain a liquor license from New York State Liquor Authority subject to Alcoholic Beverage Control Law of the State of New York. For the restaurant operating in the state of Texas, a beverage certificate shall be acquired from Texas Alcoholic Beverage Commission subject to Texas Alcoholic Beverage Code.

Food Safety and Environment Matters

Food Safety

Employees working in the restaurants may include food handlers who are involved in the preparation, storage, or service of food. Pursuant to the Senate Bill 602, Senate Bill 303, and Health and Safety Code 113790 of California, the food handlers in the restaurants, unless exempt, will be required to obtain a food handler card after taking a food safety training course and passing an assessment. Further, for the restaurants in the state of Washington, all food workers who work with unpackaged food, food equipment or utensils, or with any surface where people put unwrapped food, subject to Chapter 246-217 of Washington Administrative Code, shall take food safety training before handling food served to the public. Food workers who take a food safety training class and pass the State of Washington exam on food safety basics are issued a food worker card.

Health Permit

The restaurants in the United States must obtain a local health permit from the county, as the business involves the preparation, handling or distribution of food. Health permits are typically part of the domain of a county health department.

In some states, businesses that involve contact with the human body will also require health department permits. The restaurants are subject to the inspection of the health department before issuing the permit and will be conducted annual inspections thereafter subject to local policies. In order to obtain and maintain the health permit, the staff have completed their food handler courses, and keep their certification up to date.

Environmental regulatory compliance

The restaurant in the United States is subject to state or local laws and regulations with respect to environmental regulatory compliance. Cooking oil use and kitchen grease management is often regulated on a municipal level. Many states require food service establishments to have grease traps installed and provide proof of regular cleanings from licensed service providers.

Labor, Employment and Working Safety

Statutory Benefits

Under the relevant provisions for general welfare in the United States involving the Social Security Act, Federal Unemployment Tax Act and the Patient Protection and Affordable Care Act, employers are required to provide statutory employee benefits to their employees, including health insurance, social security and medical care, unemployment insurance and disability insurance.

Occupational Safety and Health Act

The United States Occupational Safety and Health Act (the "**OSHA**") and the regulations adopted pursuant to OSHA, and similar statutes and regulations adopted by the states that concern occupational health and safety, require employers to, among other things, (i) provide a workplace that is free from serious recognized hazards and complies with applicable safety regulations, (ii) make certain that employees have and use safe tools and equipment, (iii) provide safety training and develop operating procedures that facilitate employee compliance with safety and health requirements, and (iv) keep records of work-related injuries and illnesses. In addition, the OSHA and such regulations, and such state statutes and regulations concerning occupational health and safety, require employers to keep records of hazardous materials that they use or generate and provide such information to employees and the relevant government authorities upon request.

Patient Protection and Affordable Care Act

Under the Patient Protection and Affordable Care Act, employers with 50 or more full-time equivalent employees, must either offer minimum essential health insurance coverage that is "affordable" and that provides "minimum value" to their full-time employees (and their dependents), or potentially make an employer shared responsibility payment to the Internal Revenue Service.

Taxation

Corporate Income Tax

The corporate income tax is levied by federal and state governments on corporations registered in the United States pursuant to subchapter A of the Internal Revenue Code.

Dividend Distribution

According to Sections 1441 and 1442 of the Internal Revenue Code, any dividends and other distributions payable to a non-U.S. holder by a corporation incorporated in the United States will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence. In the event that there is no treaty between such non-U.S. Holder's country (e.g. Singapore) and the United States, the corporation is required to pay tax on the income in the same way and at the same rates shown in the instructions for the applicable U.S. tax return.

Other Material Regulations

Import Tariffs

Goods imported from overseas are generally subject to the United States import duties. The rates of duty are set forth in the Harmonized Tariff Schedule of the United States (the "**HTS**") which identifies applicable duties for the universe of imported goods, organized by class and specific articles.

There are a number of provisions of the U.S. trade law which may allow or result in modification of these duties. For instance, Sections 201 through 204 of the Trade Act of 1974 provide the authority and procedures for the United States to take various actions to facilitate a domestic industry's adjustment to import competition. Under such Sections, if the International Trade Commission determines that an article is being imported in such increased quantities as to threaten domestic producers of similar products, the United States may, among other things, increase or imposes a duty, or a tariff-rate quota.

Product Safety Law

The law of product safety is regulatory law and is governed primarily by the United States Consumer Product Safety Commission (the "**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC has jurisdiction over the safety and labeling of consumer products pursuant to certain statutes.

Products Liability Law

The United States state law generally imposes liability on all manufacturers and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. The term "product liability" refers to the legal liability of manufacturers and sellers to compensate buyers, users, and even bystanders for damages or injuries suffered because of defects in goods purchased. In addition, the United States laws and regulations (for example, the Consumer Product Safety Improvement Act of 2008) can impose obligations manufacturers and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Product Liability Law sets out the full range of legal responsibilities of manufacturers, distributors and sellers of products. Parties involved in selling or distributing a product are subject to liability for harm caused by a defect in that product. Generally speaking, any and all entities in the supply chain of a product can potentially be held liable. This includes manufacturers of component parts (at the top of the chain), assembling manufacturers, the wholesalers, and the retail store owners (at the bottom of the chain).

There is no federal Products Liability Law in the United States. As such, each state determines the liability of product designers, manufacturers, distributors and sellers. Several states have passed statutes relating to Products Liability Law but most Products Liability Law is based on common law and is similar in most jurisdictions.

MALAYSIAN LAWS AND REGULATIONS

Business Operations

Local Government Act 1976 ("LGA 1976")

Under the LGA 1976 and the by-laws of the respective local councils and authorities issued under the LGA 1976 ("**By-Laws**"), no person shall operate any activity of trade, business and industry or use any place or premises in Malaysia for any activity of trade, business and industry and/or display any signboard without a license issued by the local councils.

As such, the company that is currently occupying various business premises in Malaysia, is required to obtain business/signboard license for each premises it occupied for purposes of its businesses, display the licenses at the premises and produce the licenses upon request. The By-Laws provides for certain requirements which the licensee shall adhere to, amongst others, in relation to the disposal of refuse, effluent and sewage pollution, work safety, fire prevention, cleanliness of the food establishment, requirement to obtain Halal certificate (if applicable) and installation of grease trap in the kitchen.

Pursuant to the LGA 1976 and the By-Laws, any person who operates or occupies a business premises without a license shall be liable to a fine not exceeding RM500 or imprisonment for a term not exceeding 6 months or both. Under the By-Laws, the local councils and authorities also have the rights to order for the closure of any premises if he is satisfied that there has been a breach of any condition or restriction of the license or contravention of any provision of the By-Laws.

Industrial Co-Ordination Act 1975 ("ICA 1975")

The ICA 1975 governs the licensing requirement of manufacturing licenses in Malaysia. The objectives of the legislation are to co-ordinate and ensure orderly development of manufacturing activities in Malaysia.

"Manufacturing activity" in accordance with the ICA 1975 means the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade. The legislation requires any person engaging in any manufacturing activity in Malaysia with a shareholders' fund of RM2,500,000 and above or employing 75 or more full-time paid employees to obtain a manufacturing license issued by the Ministry of International Trade and Industry of Malaysia.

Consumer Protection

Consumer Protection Act 1999 ("CPA")

The CPA provides for the protection of consumers, the establishment of the national consumer advisory council and the tribunal for consumer claims, and connected matters. The CPA stipulates amongst others, the following:

(a) no person shall engage in conduct that, in relation to goods or services, is misleading or deceptive, or is likely to mislead or deceive, the public as to the nature, manufacturing process, characteristics, suitability for a purpose, availability or quantity, of the goods or services;

(b) no person shall advertise for supply at a specified price, goods or services which that person (1) does not intend to offer for supply; or (2) does not have reasonable grounds for believing can be supplied, at that price for a period that is, and in quantities that are, reasonable having regard to the nature of the market in which the person carries on business and the nature of the advertisement; and

(c) no person shall supply, or offer to or advertise for supply, any goods or services which do not comply with the safety standards.

Trade Description Act 2011 ("TDA 2011")

The TDA 2011 aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conducts and practices in relation to the supply of goods and services. The TDA 2011 further standardizes the surveillance and issuance of Halal certificates via the Trade Description (Definition of Halal) Order 2011 and the Trade Descriptions (Certification and Marking of Halal) Order 2011 which provide for matters pertaining to Halal.

The Department of Islamic Development Malaysia ("**JAKIM**") is appointed as the sole issuer of Halal certificates for any food, goods or related services under the legislation. Pursuant to the Trade Description (Certification and Marking of Halal) Order 2011, all food and goods, or services in relation to the food and goods shall not be described as Halal unless they are certified as Halal via a certificate of authentication issued by JAKIM and marked with the Halal logo as specified in the order.

Food Safety

Food Act 1983 ("FA 1983"), Food Regulations 1985 ("FR 1985") and Food Hygiene Regulations 2009 ("FHR 2009")

The FA 1983 and the FR 1985 are laws governing the food safety and quality control, including standards, hygiene, import and export, advertisement and accreditation of laboratories. The legislation applies to all foods, whether locally produced or imported, which are sold in Malaysia, and covers a broad spectrum from compositional standards to food additives, nutrient supplements, contaminants, packages and containers, food labelling, procedure for taking samples, food irradiation, provision for food not specified in the regulations and penalty.

Under the FA 1983, "food premises" means premises used for or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food, or the relabelling, reprocessing or reconditioning of any food, and any food that is sold, exposed or offered for sale at any food premises shall be deemed to be sold, exposed or offered for sale for human consumption.

The FHR 2009 which governs and control the hygiene and safety of food sold in Malaysia requires the food premises be registered with the Ministry of Health and to conspicuously display the certificate of registration issued thereof within the food premises. The objectives are to ensure food premises are hygienic and satisfactory in terms of design and building, ensure food handlers maintain personal hygiene and avoid practices that can contaminate food, and amongst others to provide for requirement of mandatory food safety assurance programs in food manufacturing factories.

The FHR 2009 also requires the owner of the food premises to ensure its employees working within the food premises who are directly involved in the preparation of food, come into contact with food or food contact surfaces and handle packaged or unpackaged food or appliances to undergo a food handlers training from an institution approved by the Ministry of Health and to be medically examined and vaccinated by a registered medical practitioner.

Environmental Matters

Environmental Quality Act 1974

The Environmental Quality Act 1974 sets out the provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. The legislation restricts, unless licensed to do so, the pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters, prohibits the discharge of oil into Malaysian waters, discharge of wastes into Malaysian waters and prohibits open burning.

The Environmental Quality (Scheduled Wastes) Regulations 2005 further regulates the notification of the generation, disposal, treatment, storage and labelling of the scheduled wastes. Scheduled wastes shall only be disposed of at prescribed premises and be treated at prescribed premises or on-site treatment facilities.

Labor, Employment and Work Safety

Employment Act 1955 ("EA 1955")

The EA 1955 and the regulations made thereunder govern the employment laws in Peninsular Malaysia and set out the basic terms and conditions of employment, as well as the rights and responsibilities of employers and employees who fall within the ambit of the EA 1955.

An "employee" pursuant to the EA 1955 means any person, who has entered into a contract of service and wages do not exceed RM2,000 a month or any person who, irrespective of the amount of wages, is engaged in, among others, manual labor, the operation or maintenance of any mechanically propelled vehicle operated for the transport of passengers or goods or for reward or for commercial purposes, supervises other employees engaged in manual labor, in any capacity in any vessel registered in Malaysia, or as a domestic servant.

Pursuant to the EA 1955, any term or condition of a contract of service or of an agreement which provides a term or condition of service which is less favorable to an employee than a term or condition of service prescribed by the EA 1955 or the subsidiary legislation made thereunder shall be void and of no effect to that extent and the more favorable provisions of the EA 1955 or the subsidiary legislation thereof shall be substituted therefor.

Employment Provident Fund Act 1991 ("EPFA")

The EPFA provides for the law relating to a scheme of savings for employees' retirement purposes and for matters incidental thereto. Every employee and every employer of a person who falls within the ambit of the EPFA is liable to pay monthly contributions on the amount of wages at the rate set out in the Third Schedule of EPFA.

Employees' Social Security Act 1969 ("ESSA")

The ESSA provides social security for employees in the private sector in certain contingencies such as workplace injuries, emergencies, occupational sickness and death. The Social Security Organisation ("**SOCSO**") was established as one of the governmental departments under the Ministry of Human Resources of Malaysia to administer, implement and enforce the ESSA.

The contribution payable under the ESSA in respect of an employee shall comprise contribution payable by the employer the employee, respectively, which shall be paid to SOCSO. There are two categories where the contributions fall into, namely insurance for the contingencies of invalidity and employment injury and insurance for the contingency of employment injury only.

Occupational Safety and Health Act 1994 ("OSHA")

The OSHA sets out the general duty of an employer to its employees to provide and maintain the plants and systems of work that are, so far as is practicable, safe and without risks to health, provide information, instruction, training and supervision to ensure, in so far as is practicable, the safety and health of its employees at work, and to provide a working environment, which is as far as possible, safe, without risks to health, and adequate as regards to facilities for their welfare at work.

Taxes

Income Tax Act 1967 ("ITA")

The ITA imposes income tax which is charged for each year of assessment upon the income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia.

The corporate tax rate in Malaysia is 24% in general. A company is considered a tax resident in Malaysia if its management and control are exercised in Malaysia i.e. place where the directors' meeting of the company is held. Such resident companies with a paid-up capital of RM2.5 million or less and gross income from business of not more than RM50 million, will be charged at a tax rate of 17% for the first MYR600,000.00 of chargeable income and any subsequent chargeable income will be taxed at 24%, provided always that the company is not part of a group of companies where any of their related companies have a paid-up capital of more than RM2.5 million.

Service Tax Act 2018 ("Service Tax Act")

Under the Service Tax Act, service tax is charged and levied on any taxable services provided in Malaysia by a registered person in carrying on his or her business. A taxable person listed under the Service Tax Regulations 2018 ("**Service Tax Regulations**") providing taxable services listed under the same regulations is liable to register if the value of its taxable services for a period of 12 months exceeds the thresholds (as applicable) stipulated in the Service Tax Regulations.

A restaurant operator is a taxable person and the provision of preparing and serving of food or drinks is a taxable service pursuant to Group B, First Schedule of the Service Tax Regulation, and the total value of taxable service is at RM1,500,000. Pursuant to the Service Tax (Rate of Tax) Order 2018, the prevailing service tax rate is at 6%.

Sales Tax Act 2018

Sales tax administered in Malaysia is a single-stage tax charged and levied on locally manufactured taxable goods at the manufacturer's level and as such is often referred to as manufacturer's tax. The tax is also imposed on taxable goods imported into Malaysia at the point of entry. In the case of locally manufactured goods, sales tax is charged and levied when such goods are sold or disposed of by the manufacturers. Taxable goods are goods of a class or kind not for the time being exempted from sales tax. Sales tax is an ad valorem tax and rates between 5% to 10% apply based on the group of taxable goods. General rule is sales tax is levied on imported and locally manufactured goods (except those exempted by the Ministry of Finance, Malaysia).

VIETNAMESE LAWS AND REGULATIONS

License, Registration and Permits

Business registration

Pursuant to the Law on Investment which was promulgated by the 14th National Assembly of the Socialist Republic of Vietnam during its 9th session on June 17, 2020 and came into effect on January 1, 2021 (the "**LOI 2020**"), an enterprise established under foreign laws shall be defined as a foreign investor and may conduct the investment activity directly or indirectly under the following forms: (i) a foreign investor establishes a foreign-invested company within the territory of Vietnam, independently of jointly with any other investor, (ii) a foreign investor contributes capital or purchases shares or stakes of an enterprise established under Vietnamese laws, (iii) a foreign investor makes investment to initiate a new project within the territory of Vietnam, independently of jointly with any other investor, (iv) a foreign investor enters into a business cooperation contract (BCC) for business cooperation and distribution of profits or products without establishment of a business organization, or (v) a foreign investor makes investment in any other way stipulated by applicable laws.

Furthermore, the foreign-invested business organizations established under Vietnamese law, must satisfy the conditions and follow investment procedures applied to foreign investors in case: (i) over 50% of its charter capital or more is held by a foreign investor(s) or the majority of the general partners are foreigners if the business organization is a partnership; (ii) over 50% of its charter capital or more is held by a business organization(s) or by a business organization(s) and foreign investor(s) mentioned in point (i) of this Item.

Except for prohibited fields specified in the negative list which are not permitted to invest, the foreign investor must obtain permit for investment in other fields from competent authorities, i.e. Investment registration certificate (the "**IRC**") for investment form mentioned in point (i) (iii) (iv) of Item 1 and Notice of conditions satisfaction for capital contribution, shares purchase and stakes purchase for investment form mentioned in point (ii) of Item 1.

For the foreign investors who establish a foreign-invested company within the territory of Vietnam, after the issuance of the IRC, they need to carry out the procedures for establishing and then operating the companies. After being granted a Certificate of Enterprise Registration by the Business Registration Office which is affiliated to the provincial Department of Planning and Investment, the company will be a legal person and thus be eligible to enter into any business relation on its own behalf. The conduct of business activities of the company must be in accordance with its business lines registered with the Business Registration Office.

Business location registration

A business location of an enterprise is the place at which specific business operations are carried out.

For business locations that are restaurants, Under Decree No. 15/2018/ND-CP issued by the Government on February 02, 2018, last amended on November 14, 2019, restaurant shall obtain the Certificate for food safety eligibility before operating.

Furthermore, pursuant to the provisions of the Law on Investment, spirit trading is on the list of conditional business lines. Decree No. 105/2017/ND-CP issued by the Government on September 14, 2017, deals with activities related to trade in alcohol including production, import, distribution, wholesaling and retailing of alcohol, and sale of alcohol for on-site consumption. The term "sale of alcohol for on-premises consumption" means an act of directly selling alcohol to a buyer for consumption right on the premises. The company shall obtain the license to sell alcohol at the premises for each restaurant. However, on February 05, 2020, the Government issued Decree No. 17/2020/ND-CP, which took effect from March 22, 2020, amended Decree No. 105/2017/ND-CP. Accordingly, the company shall need to satisfy the following conditions to sell spirits having at least 5.5% alcohol by volume for on-premises consumption: (i) having the right to legally use a fixed place of business, a clear address; (ii) alcohol consumed on premises shall be provided by the trader having the license for alcohol production/distribution/wholesaling/retailing; (iii) complying with regulations of the law on environmental protection, food safety and firefighting and prevention; and (iv) registering sale of alcohol for on-premises consumption with the Economic and Infrastructure Division of the district where the restaurant is located.

In addition, The Law on Fire Prevention and Fighting No. 27/2001/QH10 was promulgated by the National Assembly on June 29, 2001, and last amended on November 22, 2019, regulates the basic measures for fire prevention; designs on fire prevention and fighting, examination and approval thereof; requirements in fire prevention and fighting measures for establishments; as well as equipment of fire prevention and fighting means for establishments. Following Decree No. 136/2020/ND-CP issued on November 24, 2020, restaurants are on the list of facilities requiring fire management. Depending on the specific business space or volume of the restaurant, it shall need to obtain the fire prevention plan approved by competent authorities and/or the certificate of design appraisal and design appraisal document and the written approval of fire safety commissioning results.

Food Safety and Environment Matters

The Law on Food Safety No. 55/2010/QH12 was promulgated by the National Assembly on June 17, 2010, and last amended on June 15, 2018, (the "**Law on Food Safety**") provided the rights and obligations of organizations and individuals in assuring food safety.

The Law on Environmental protection No. 72/2020/QH14 of the Socialist Republic of Vietnam which was issued by the National Assembly on November 17, 2020, came into effect on January 01, 2022 (the "**Law On Environmental Protection**"), provides general regulations as well as the detailed regulations on many issues related to environmental protection.

Environmental criteria for investment project classification

Under Article 28.1 of the Law On Environmental Protection, environmental criteria for investment project classification include: (i) scale, capacity and type of production, business and service; (ii) area of land, land with the water surface, and sea used; scale of extraction of natural resources; and (iii) environmentally sensitive factors including high-density residential areas; water source used for supply of domestic water, etc. In this regard, according to the environmental criteria set out above, investment projects shall be classified into Group I, II, III and IV. For example, among others, Group I investment projects are those that pose a high risk of adverse environmental impacts, including large-scale and capacity projects involved in types of production, business and services that are likely to cause environmental pollution; projects providing hazardous waste treatment service; projects involving import of scrap from foreign countries as production materials.

Based on the investment projects classification as well as the environmental-affecting factors of each project, the project investor and/or related parties must carry out procedures to apply for an environmental license and environmental registration in accordance with the Law on Environmental Protection.

Environmental protection during production, business operation and service provision

Business operation and service provision are required to collect, classify, store, and treat waste under the Law on Environmental Protection and environmental standards. In general, on the basis of waste classification, waste generators are required to classify waste at source and storage waste in appropriate equipment. Regarding the collection and treatment of waste, under the Law on Environmental Protection and as well as related guiding documents, waste generators can transfer solid waste and wastewater to appropriate functional entities to carry out waste collection and treatment.

Waste Classification

The Law on Environmental Protection provides waste management requirements for domestic solid waste; normal industrial solid waste; hazardous waste and wastewater; dusts, exhaust gases and other pollutants. In general, all kinds of waste must be: (i) managed during its generation, reduction, classification, collection, storage, transfer, transport, reuse, recycling, treatment and disposal; (ii) treated by licensed facilities having an appropriate environmental license; and (iii) are encouraged to be reused, recycled with a view to maximization of its value.

Sanctions of the violation of laws on environmental protection

Pursuant to the Criminal Code No. 100/2015/QH13 which is promulgated by the National Assembly of the Socialist Republic of Vietnam on November 27, 2015, among others, the act of violation of the laws on environmental protection can be prosecuted for criminal liability based on the scale and consequences of environmental pollution, environmental emergencies, the types of waste to be illegal discharged.

Under the Law on Environmental protection and related guiding documents, the acts of violation of rights and responsibilities regarding environmental protection can be subject to administrative penalties. In this regard, Decree No. 155/2016/ND-CP promulgated by the Government of the Socialist Republic of Vietnam on November 18, 2016, on sanctioning of administrative violations in environmental protection amended and supplemented by Decree No. 55/2021/ND-CP has provided legal background on specifying acts of administrative violation, sanctioning forms and levels, remedies; etc. Accordingly, any organization or individual who violates the regulations of environmental protection may depending on the nature and seriousness of the violation also be subject to (i) a caution or a monetary fine; (ii) the additional penalty(s) and (iii) the measure(s) for remedying consequences.

Labor, Employment and Occupational Safety

The Labor Code No. 45/2019/QH14 of the Socialist Republic of Vietnam which was issued by the National Assembly on November 20, 2019, came into effect on January 01, 2021 (the "**Labor Code**"), provides general regulations as well as the detailed regulations on many issues related to labor.

Labor contract

Labor contract is an agreement between an employee and an employer on a paid job, salary, working conditions, and the rights and obligations of each party in the labor relations. Under the Labor Code, a labor contract shall be concluded in writing, except for the case that labor contracts with a term of less than 01 months, both parties may conclude an oral contract.

Salary

The term "salary" in the Labor Code includes wages by job or title, allowances and other additional amounts. The must wages by job or title shall not fall below the statutory minimum wages under Decree No. 90/2019/ND-CP, which was promulgated by the Government on November 15, 2019. On December 14, 2020, the Government promulgated Decree No. 145/2020/ND-CP, which came into effect on February 01, 2021 ("**Decree 145/2020/ND-CP**"), elaborates some detailed articles about salary, including: salary payment forms; calculating methods of overtime salaries, night work salaries, night overtime salaries.

Following the Labor Code, an enterprise shall have to build pay scales, payrolls and labor productivity norms as the basis for recruitment and use of labor, negotiation and payment of salaries and publicly post at the workplace before implemented. The employer shall consult with the internal employee representative organization during establishment of the pay scale, payroll and labor productivity norms.

Foreign employees who work in Vietnam

Decree No. 152/2020/ND-CP which was issued by the Government on December 30, 2020, came into effect on January 15, 2021 ("**Decree 152/2020/ND-CP**"), sets forth foreign workers working in Vietnam and recruitment, management of Vietnamese workers working for foreign organizations and individuals in Vietnam. According to Decree 152/2020/ND-CP, enterprises shall only employ foreigners to hold positions of managers, executive directors, specialists, and technical workers the professional requirements for which cannot be met by Vietnamese workers, and the recruitment of foreign employees in Vietnam shall be explained and subject to written approval by competent authorities. A foreign employee who works in Vietnam shall be in compliance with the legal requirements and has a work permit granted by a competent authority of Vietnam. In certain cases, the foreign employee may work in Vietnam without work permit.

Occupational Safety and Hygiene

The Law on Occupational Safety and Hygiene No. 84/2015/QH13 ("**Law on Occupational Safety and Hygiene**") which was issued by the National Assembly on June 25, 2015, came into effect on July 01, 2016, deals with occupational hygiene and safety assurance; policies and benefits for victims of occupational accidents and occupational diseases; rights and obligations of organizations or individuals relating to occupational hygiene. Pursuant to the Law on Occupational Safety and Hygiene, the employer must provide adequate personal protective equipment and healthcare for employees who have occupation as prescribed in List of heavy, harmful or dangerous occupations and extremely heavy, harmful or dangerous occupations.

Taxes

Corporate Income Tax

According to the Law on Corporate Income Tax Law or Law on CIT, which was promulgated on 03 June 2008, came into effect on 01 January 2009, and amended by the Law on amendments to the Law on Corporate Income Tax 2013, the Law on amendments to the laws on taxation 2014 and the Law on Investment 2020, a standard income tax rate of 20% shall be applied to enterprises that have established under the law of Vietnam, foreign enterprises with or without permanent establishment.

The difference between Total Revenue – Deductible Expenses is considered an income from main business activities which is entitled to CIT incentives, if any. Normally, other forms of income such as gains from foreign exchange revaluation, income from disposal of fixed assets, interest income, etc. not related to the main business are not entitled to CIT incentives, and thus, shall be subject to the standard CIT rate of 20%. On the other hand, an expense might be deductible for CIT purpose if the following conditions are met: (i) such expense is actually incurred and relevant to the company's business activities, (ii) such expense must be supported by proper documents, (iii) payments above VND 20 million must be supported by bank payment vouchers (or deemed as made via banks), (iv) such expense is not in the list of non-deductible expenses.

Regarding tax losses, tax loss is carried forward within a maximum period of 5 years after the loss-making year. Carry-back of tax loss is not allowed. Losses from incentive business activities can be offset against income from non-incentive activities. Losses from the transfer of real estate, investment projects, rights to participate in investment projects (except for mineral exploitation and exploration projects) can be offset against profits from other business activities.

Regarding capital assignment profit tax, although not specifically a separate tax, Capital Assignments Profit Tax ("**CAPT**") applies a 20% tax to gains from assignment of capital in limited liability companies in Vietnam. The time of determining taxable income is the time of capital transfer.

Dividend distribution

Under the Double Taxation Avoidance Agreements to which Vietnam is a party, Vietnam is entitled to levy taxes on dividend income. Under the provisions of the current law on CIT, Vietnam has not yet imposed tax on income from dividends of enterprises, thus, there is no CIT on dividends paid to corporate shareholders. Nonetheless, a 5% personal income tax shall be applied on dividends paid to individual shareholders, whether the individual is tax resident or non-resident.