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## PRC REGULATORY OVERVIEW

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We mainly conduct our business operations in the PRC. As such, we are subject to the relevant laws, regulations and other regulatory requirements in the PRC. These laws, regulations and regulatory requirements are summarised as follows:

### LAWS AND REGULATIONS ON FOREIGN INVESTMENT

#### Company law

On 29 December 1993, the Standing Committee of the National People's Congress (the "NPC") promulgated 中華人民共和國公司法 (the Company Law of the People's Republic of China\*) (the "**PRC Company Law**"), effective as from 1 July 1994, and revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively.

The establishment, operation and management of corporate entities in China shall be subject to the PRC Company Law. According to the provisions of the PRC Company Law, companies with limited liability or companies limited by shares can be incorporated in the PRC.

The PRC operating subsidiary of our Group are companies with limited liability. Unless otherwise specified by laws on foreign investment, the PRC Company Law shall also apply to foreign-invested enterprises.

#### Wholly foreign-owned enterprise law

On 12 April 1986, the Standing Committee of the NPC promulgated 中華人民共和國外資企業法 (the Wholly Foreign-owned Enterprise Law of the People's Republic of China\*) (the "**Wholly Foreign-owned Enterprise Law**"), effective as from the date of promulgation and revised on 31 October 2000. Further, the 外資企業法實施細則 (Implementing Rules for the (Wholly Foreign-owned Enterprise Law of the People's Republic of China) (the "**Implementing Rules for the Wholly Foreign-owned Enterprise Law**") were promulgated by the State Council of the PRC ("**State Council**") on and as effective from 28 October 1990, and revised on 12 April 2001 and 19 February 2014.

Under the Wholly Foreign-owned Enterprise Law and the Implementation Rules for the Wholly Foreign-owned Enterprise Law, our PRC subsidiary being a wholly foreign-owned enterprise (i) is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently; and (ii) is subject to the procedures for establishment and examination and approval, provision on registered capital (including that their registered capital must be contributed by foreign investors whereby the liability of a foreign investor is limited to the amount of the registered capital for which it agrees to subscribe), foreign exchange control, accounting, taxation, employment and all other relevant matters.

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On 3 September 2016, the Standing Committee of the NPC passed the 全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定 (the Decision regarding the amendments on the Wholly Foreign-owned Enterprise Law of the People’s Republic of China by the Standing Committee of the NPC\*) (the “**Decision**”). The Decision amends the Wholly Foreign-owned Enterprise Law in relation to the clause of administrative approval. The amendments do not involve the change of establishment record of the wholly foreign owned enterprises which are under the state regulated special access management measures. The Decision will be implemented on 1 October 2016.

On 8 October 2016, the MOFCOM published the 外商投資企業設立及變更備案管理暫行辦法 (the interim measures in relation to the establishment and change records of wholly foreign owned enterprises\*) (the “**Interim Measures**”). The Interim Measures and the Decision will be implemented simultaneously. According to the Interim Measures, any establishment change of the wholly foreign owned enterprises not involved in the state regulated special access management measures requires the record filing procedure to be handled within 30 days after the issue date of issue of the business certificate or the date of the change event.

### **Catalogue of Industries for Guiding Foreign Investment**

According to the 外商投資產業指導目錄 (2015年修訂) (Catalogue of Industries for Guiding Foreign Investment (2015 revision)\*), which was promulgated by the NDRC and the MOFCOM on 10 March 2015 and became effective on 10 April 2015, conductive glass for thin film solar cells, solar collecting lens glass and conductive glass for construction industries, in which the Group currently operates, fall under the category of encouraged foreign investment whereby investments from foreign enterprises (in the case of our PRC operating subsidiary, our Company and its investment holding vehicles) are not restricted.

## **LAWS AND REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION**

### **Foreign exchange**

#### *Regulation on foreign exchange administration*

According to 中華人民共和國外匯管理條例 (Regulation of the People’s Republic of China on Foreign Exchange Administration\*) promulgated by the State Council on 29 January 1996, effective as from 1 April 1996, revised on and effective as from 14 January 1997, and revised on 1 August 2008 and effective as from 5 August 2008, as well as various regulations promulgated by the SAFE and other regulatory authorities of the PRC, there are generally no restrictions on international payment under current foreign exchange accounts (such as foreign exchange trade or dividend payment relating to goods trade and service). However, international payment under capital projects (such as capital transfer, direct investment, securities investment, derivatives and loans) are subject to approval of or registration with the SAFE (and/or one of its branches) and other relevant PRC government bodies.

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### *Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises*

According to 國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知 (the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises\*), promulgated by the SAFE on 30 March 2015 and effective as from 1 June 2015, the system of willingness-based foreign exchange settlement is adopted for the foreign exchange capital of foreign-invested enterprises. However, a foreign-invested enterprise may still opt to use its foreign exchange capital according to the system of foreign exchange settlement by payment. The capital of foreign-invested enterprises and capital in RMB obtained through foreign exchange settlement shall not be used for the following purposes: (a) directly or indirectly used for payments outside the business scope or for payments prohibited under national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by laws and regulations; (c) directly or indirectly used for granting entrusted loans in RMB (unless permitted by the scope of business), repaying inter-company borrowings or repaying bank loans in RMB that have been on-lent to a third party; and (d) paying expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate enterprises.

#### **Dividend distribution**

The principal regulation governing the distribution of dividends of foreign invested companies include the PRC Company Law, the Wholly Foreign-owned Enterprise Law and the Implementing Rules for the Wholly Foreign-owned Enterprise Law.

In accordance with these laws and regulations, foreign-invested enterprises in China may only distribute dividend from their accumulated profits as determined by PRC accounting standards. A foreign-invested enterprise in China shall annually set aside no less than 10% of its after-tax profits as reserve, until the reserve reaches 50% of its registered capital. The said reserve shall not be distributed as cash dividend. In addition, foreign-invested enterprise in China shall also retain part of its after-tax profits as bonus and welfare fund for staff at a percentage determined by the foreign-invested enterprise itself. The said staff bonus and welfare fund shall not be used for dividend distribution, either. Our PRC operating subsidiary of the Group sets aside reserve fund at a rate of 10% and enterprise development fund at a rate of 5%.

According to the EIT Law promulgated by the NPC on 16 March 2007, effective as from 1 January 2008, and revised on 24 February, 2017 dividend of distributed to non-resident enterprises and other passive income coming from China shall be subject to a withholding tax at a standard tax rate of 20%. Subsequently, 中華人民共和國企業所得稅法實施條例 (the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China\*) (the “**Implementation Regulations of EIT Law**”), promulgated by the State Council on 6 December 2007 and effective as from 1 January 2008, reduced the relevant tax rate from 20% to 10%.

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According to 內地與香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排 (the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between China and Hong Kong\*) on 21 August 2006, the rate of withholding tax for dividend payable by a PRC company to a Hong Kong resident shall be no more than 5% provided that the Hong Kong resident shall be a company which has been holding no less than 25% of share capital of the said PRC company for 12 months before the dividend distribution.

According to 非居民納稅人享受稅收協定待遇管理辦法 (the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties\*) issued by the SAT on 27 August 2015 and effective as from 1 November 2015, non-resident enterprises which receive dividend distributed by PRC resident enterprises and satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits itself, and be subject to follow-up administration by the competent tax authority. If in the follow-up administration the competent tax authority discovers that a non-resident taxpayer not meeting the qualification for tax treaty benefits has already enjoyed the tax treaty benefits itself and paid insufficient tax or has not paid tax, it shall inform the non-resident taxpayer to make sufficient tax payment within a prescribed period.

### **Foreign exchange registration for return investments of domestic residents**

The injection of assets or equity of PRC companies into overseas special-purpose vehicles by PRC residents are subject to the following regulations promulgated by the SAFE:

#### ***Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles (Circular 75)***

On 21 October 2005, the SAFE issued 關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (the Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles\*) (“**Circular 75**”), effective as from 1 November 2005.

According to Circular 75: (a) before establishing or controlling special-purpose vehicles (“**special purpose vehicle**”) for financing of overseas equity, PRC residents shall register with the local branch of the SAFE; (b) if a PRC resident injects assets or equity of domestic enterprises it possesses to the special purpose vehicle, or finances overseas equity after the injection, the said PRC resident shall change registration of foreign exchange concerning equity of net assets and its changes to the special purpose vehicle at the local branch of the SAFE; and (c) if any significant asset change (such as change of share capital or memorandum and articles of association) occurs in overseas special purpose vehicles outside of China, PRC residents shall register relevant changes with the local branch of the SAFE within 30 days after occurrence of the said change.

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According to Circular 75 and relevant rules, foreign exchange activities (such as increasing registered capital, distributing dividend to overseas parent company or affiliates and other distribution and acquiring the capital injected from overseas companies) of relevant domestic companies may be limited due to failed registration formalities specified in Circular 75, and relevant PRC residents may be punished in accordance with the PRC laws and regulations on the administration of foreign exchange.

### ***Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (Circular 37)***

On 4 July 2014, the SAFE issued 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 (the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles\*)(“Circular 37”), which became effective and superseded Circular 75 on the same date, and Circular 37 shall prevail over any inconsistency between itself and relevant regulations promulgated earlier.

According to Circular 37: (a) “special purpose vehicle” is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets or equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (b) domestic resident must register with SAFE before he or she contributes assets or equity interests to special purpose vehicle and (c) following the initial registration, any major changes such as change in the overseas special purpose vehicle’s domestic resident shareholders, name of the overseas special purpose vehicle and term of operation or any increase or reduction of the overseas special purpose vehicle’s registered capital, share transfer or swap, merger or division, or similar development, shall report to the SAFE for registration in time.

According to article 10 headed 境內居民個人特殊目的公司外匯(補)登記 (Foreign exchange registration and supplementary registration for domestic residents through special purpose vehicles\*) in 返程投資外匯管理所涉業務操作指引 (the Operating Guidelines for Business involving Foreign Exchange Administration of Return Investments\*) attached to the Circular 37 issued by the SAFE, domestic residents are only required to complete registration for the (first level) special purpose vehicles directly set up or controlled by them. According to Circular 37, domestic residents who fail to comply with the registration procedures as set out in Circular 37 may result in penalties such as fines.

Before Circular 37 took effect, Mr. Liu, one of our Controlling Shareholders, had completed foreign investment and exchange registration procedures for domestic residents in respect of his establishment of overseas special purposes vehicles, being Strong Eagle and Singyes Solar, in accordance with the requirements of the then effective Circular 75. Such registration is also in compliance with the currently effective Circular 37.

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### LAWS AND REGULATIONS ON TAXATION

#### Enterprise income tax

According to the EIT Law and the Implementation Regulations of EIT Law, taxpayers shall comprise resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise incorporated pursuant to PRC laws or pursuant to foreign laws but under management by an institution located in China. A non-resident enterprise refers to an enterprise incorporated pursuant to foreign laws and under management by an institution located outside of China, but with an establishment in China or having income from China despite having no establishment in China. According to the EIT Law and the Implementation Regulations of EIT Law, the enterprise income tax shall be levied at a standard rate of 25%. However, a non-resident enterprise without any establishment in China or one with an establishment in China but having income from China not related to the said establishments shall be subject to the enterprise income tax at a rate of 10%.

According to the EIT Law and the Implementation Regulations of EIT Law, a reduced enterprise income tax rate of 15% is applicable to key high-tech technology enterprises with national support. According to 國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知(國稅函(2009)203號)(the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax for New Hi-Tech Enterprises (Guo Shui Han [2009] No. 203)\*) promulgated by the SAT on 22 April 2009 and effective as from 1 January 2008, qualified high-tech enterprises may apply for the preferential enterprise income tax treatments from the year in which the validity period of qualification commences. Our PRC operating subsidiary has obtained on 10 October 2015 a high-tech enterprise certificate issued by the Guangdong Provincial Department of Science and Technology, the Department of Finance of Guangdong Province, the SAT Guangdong Office and the Guangdong Local Taxation Bureau for a term of three years. As such, our PRC operating subsidiary enjoys an enterprise income tax rate of 15% for the period from 2015 to 2017. An application for renewal may be submitted upon expiration of the period.

#### Value-added tax

On 13 December 1993, the State Council promulgated the Interim Regulation of the People's Republic of China on Value Added Tax (中華人民共和國增值稅暫行條例) (the “**Interim Regulation on Value-added Tax**”), effective as from 1 January 1994 and revised on 5 November 2008 and 13 January 2016. On 25 December 1993, the Ministry of Finance of the PRC (the “**Ministry of Finance**”) promulgated the 中華人民共和國增值稅暫行條例實施細則 (Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax\*) (the “**Rules for Implementation of the Interim Regulation on Value-added Tax**”), effective as from the date of promulgation and revised on 15 December 2008 and 28 October 2011. According to the Interim Regulation on Value-added Tax and the Rules for Implementation of the Interim Regulation on Value-added Tax, all enterprises and individuals engaged in the sale of goods, provision of processing, repairing and replacement services, and the importation of goods within the territory of China shall pay value-added tax. Save as otherwise specified in the Interim Regulation on Value-added Tax and the Rules for Implementation of the Interim Regulation on Value-added Tax, the value-added tax rate shall be 17%. As at the Latest Practicable Date, our PRC operating subsidiary was subject to value-added tax at a rate of 17%.

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### LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

As production process produces and discharges pollutants, our operations are subject to PRC laws and regulations relating to environmental protection, a summary of which is set out below:

#### **Environmental protection law**

On 26 December 1989, the Standing Committee of NPC promulgated 中華人民共和國環境保護法 (the Environmental Protection Law of the People's Republic of China\*) (the “**Environmental Protection Law**”), which was effective as from the date of promulgation and was revised on 24 April 2014 which became effective on 1 January 2015. The Environmental Protection Law established the legal framework of environmental protection in China.

According to the Environmental Protection Law; (i) any organisation that causes environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, water and residues generated in the course of production, construction or other activities; (ii) installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project; (iii) no permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration; and (iv) organisations such as enterprises discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council and they are responsible for taking appropriate actions to remedy the consequences caused by pollutants discharged and for compensation any person who may suffer any loss or damage as a result.

#### **Law on environmental impact assessment**

On 28 October 2002, the Standing Committee of NPC promulgated 中華人民共和國環境影響評價法 (the Law of the People's Republic of China on Environment Impact Assessment\*) (the “**Law of Environmental Impact Assessment**”), effective as from 1 September 2003 and which was revised in July 2016 effective as from 1 September 2016. According to the Law of Environmental Impact Assessment, the PRC government shall set up a system to assess the environmental impact of projects, and to classify and administer environmental impact appraisals in accordance with the degree of a projects environmental impact. If a project results in a material impact on the environment, an environmental impact report thoroughly appraising the potential environmental impact is required. If the project results in moderate impact on the environment, an environmental impact record analysing or appraising the specific potential environmental impact is required. If a project results in minor impact on the environment, an environmental impact assessment is not required but an environmental impact registration form shall be filed.

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Our PRC operating subsidiary is under the constant supervision by the Zhuhai Environmental Protection Bureau of Guangdong Province, the PRC, and it is required to prevent, reduce and control environmental and ecological damage caused by its production and operations. Our PRC operating subsidiary was not required to submit any environmental impact report or record or make any filings with the PRC government pursuant to the Law of Environmental Impact Assessment over the Track Record Period.

### LAWS AND REGULATIONS ON PRODUCTION SAFETY

On 29 June 2002, the Standing Committee of NPC promulgated the 中華人民共和國安全生產法 (Production Safety Law of the People's Republic of China\*) (the “**Production Safety Law**”), effective as from 1 November 2002 and later revised on 31 August 2014 which became effective as from 1 December 2014. According to the Production Safety Law, enterprises, in their business operations, shall be equipped with the conditions for safe production as provided in the relevant law and regulations as well as national or industrial standards. Any enterprise that does not satisfy requisite conditions for safe production may not engage in production or business operations. The design, manufacture, installation, use, checking, maintenance, refitting and disposal of safety equipment shall be in conformity with the national standards or industrial standards. For the production, business operation, transportation, storage and use of any hazardous substance or disposal or abandoning of any hazardous substance by any enterprise, the enterprise shall comply with the provisions of relevant laws and regulations as well as the national standards or industrial standards, and establish specialised safety administration rules, take reliable safety measures, and accept the supervision and administration carried out by relevant competent authorities.

Our PRC operating subsidiary is equipped with conditions to production safety as required by laws and regulations, and is under constant supervision by the Zhuhai Environmental Protection Bureau of Guangdong Province, the PRC.

### LAWS AND REGULATIONS ON THE PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

Products of our PRC operating subsidiary manufactured within its scope of operations are subject to 中華人民共和國消費者權益保護法 (the Law of the PRC on Protection of Consumers' Rights and Interests\*), which became effective on 1 January 1994 and was amended on 25 October 2013, which became effective on 15 March 2014 and other related laws and regulations. The Law of the PRC on Protection of Consumers' Rights and Interests sets out requirements for sellers aimed at safeguarding the personal safety and property of consumers. A seller who sells products which pose health or safety risks or which poses a risk to consumers' property must disclose such risks and include a clear warning statement on the product (together with an explanation on the proper way to use the product and methods to prevent relevant risks). In the event of personal injury or property damage to consumers caused by product defects, the consumers shall be entitled to claim for damages from the relevant producer or seller.



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### LAWS AND REGULATIONS ON PRODUCT QUALITY

Our PRC operating subsidiary produces and sells products in the PRC and is subject to PRC laws and regulations relating to production quality, a summary of which is set out below:

#### **Product quality law**

The Standing Committee of NPC promulgated 中華人民共和國產品質量法 (the Product Quality Law of the People's Republic of China\*) (the “**Product Quality Law**”) on 22 February 1993, which was effective as from 1 September 1993, revised on 8 July 2000 and effective from 1 September 2000, and further revised on 27 August 2009. Under the Product Quality Law, a product shall meet the following quality requirements: (a) be free from unreasonable dangers threatening the safety of human life and property, and conform to national standards or trade standards safeguarding the health or safety of human life and property, as applicable; (b) possess the properties and functions that they ought to possess, except for those with directions stating any functional defects; and (c) conform with product standards marked on the products or the packaging thereof, and to the state of quality indicated by way of product directions and samples.

A supervision and inspection system involving random product quality inspections is implemented by the PRC government. Where any product is found to be substandard or defective, the product quality supervision authority shall order the producer or seller to make corrections within a prescribed period. Failure to comply with the Product Quality Law may subject to the producer or seller to sanctions such as fine, suspension of operation and revocation of business license.

#### **Standardisation law**

In the PRC, 中華人民共和國標準化法 (the Standardisation Law of the People's Republic of China\*) was promulgated by the Standing Committee of NPC on 29 December 1988 and effective as from 1 April 1989; 中華人民共和國標準化法實施條例 (the Implementing Regulation for the People's Republic of China\*) was promulgated by the State Council on and effective as from 6 April 1990; 中華人民共和國標準化法條文解釋 (the Interpretations for Provisions of the Standardisation Law of the People's Republic of China\*) were issued by the National Quality and Technology Administration (now known as the General Administration of Quality Supervision, Inspection and Quarantine) on and effective as from 23 July 1990 (collectively, the “**Standardisation Law**”).

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According to the Standardisation Law, the PRC government shall establish technical standards for the type, specifications, design, production, inspection, packaging and storage for industrial products. National standards shall be established on those technical requirements which need to be uniform throughout the country. In the absence of national standards, industry standards may be formulated where technical requirements for a certain industry need to be uniform within the PRC. Both national standards and industry standards can be categorized as compulsory standards or optional standards. Standards regarding the health or safety of human life or property or prescribed by laws and administrative regulations as compulsory shall be compulsorily followed while compliance with the remaining standards is optional. For industrial products without national or industry standards, local standards may be formulated where technical requirements for a certain industry need to be uniform within a province, autonomous region or municipality. If there are no national, industry or local standards for products produced by an enterprise, it shall formulate its own standard as a benchmark for production. Product standards of enterprises shall be filed with local standardization administrative authorities or the relevant administrative authorities.

According to 廣東省標準化監督管理辦法 (the Standardisation Supervision and Management Measures for Guangdong Province\*) issued by the People's Government of Guangdong Province on 7 November 1997 and effective as from 1 December 1997, enterprises are prohibited from producing products which do not comply with these standards. A registration system is implemented for products manufactured by enterprises. An enterprise shall file the standards applied for its products at the technology supervision authority where they are located, and the technology supervision authority accepting the registration will issue a 產品執行標準證書 (product standard certificate\*).

Our PRC operating subsidiary is under constant supervision by the Administration of Quality and Technology Supervision of Guangdong Province. Local standards of Guangdong Province have been applied towards the products of our Company. A 珠海市企業產品執行標準證書 (Product Implementation Standard Certificates for Enterprises in Zhuhai\*) has been obtained for optical transparent ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System.

### Compulsory product certification management

On 3 September 2003, the State Council issued 中華人民共和國認證認可條例 (the Regulations of the People's Republic of China on Certification and Accreditation\*) (the “**Regulations on Certification and Accreditation**”) which became effective as from 1 November 2003 and which was revised on 6 February 2016 effective as from the same date. Certification refers to the assessment activities carried out by the certification bodies to testify whether the products, service, and management systems are in conformity with the relevant technical norms and their compulsive requirements or standards. According to the Regulations on Certification and Accreditation, in order to safeguard the national security, prevent fraudulent acts, protect the health or safety of human body, safeguard the life or health of animals and plant and protect the environment, no products which must be certified as prescribed by the PRC government, may leave the factory, or may be sold, imported or used in other business activities until such products have been certified and labelled with the certification marks.

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According to 強制性產品認證管理規定 (the Provisions on the Administration of Compulsory Product Certification\*) issued by the General Administration of Quality Supervision, Inspection and Quarantine on 3 July 2009 and effective as from 1 September 2009, with respect to products which are subject to compulsory product certification, the PRC government shall have a uniform catalogue of products, uniform compulsory technical requirements, standards and compliance review procedures, uniform certification signs and uniform fee-charging standards. The producers, distributors or importers of products listed in the catalogue shall authorise the certification institutions designated by the Certification and Accreditation Administration to certify the products produced, sold or imported by them. After the certification institution has finished the product type test and factory inspection, it may issue a certificate within 90 days from the date of acceptance of the certification authorisation if the certification requirements are satisfied.

According to the 國家認監委關於發布強制性產品認證目錄描述與界定表的公告 (Announcement of the Certification and Accreditation Administration of the People's Republic of China on Issuing Description and Table of Definitions for the Catalogue of Compulsory Product Certification\*) issued by the Certification and Accreditation Administration of the PRC (the "CNCA") on 16 December 2014 and 關於發布強制性產品認證目錄產品與2015年HS編碼對應參考表的公告 (the Announcement on Issuing the Catalogue of Compulsory Product Certification and HS Code Reference Table for 2015\*) issued by the CNCA on and effective as from 29 July 2015, architectural laminated glass produced by our PRC operating subsidiary is an industrial product which falls within the Catalogue of Compulsory Product Certification and for which uniform certification is required. Our PRC operating subsidiary has obtained the 國家強制性產品認證證書 (National Compulsory Product Certification\*) issued by China Quality Certification Centre.

### LAWS AND REGULATIONS ON PROPERTY

#### Property law

On 16 March 2007, the NPC promulgated 中國人民共和國物權法 (the Property Law of the People's Republic of China\*) (the "**Property Law**"), effective as from 1 October 2007. According to the Property Law, real right refers to the exclusive right of direct control enjoyed by the holder according to law over a specific property, including ownership, usufructuary right and real rights for security. The creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law except as otherwise prescribed by any law. The real rights of the PRC government, collectives, individuals and any other right holder in respect of any specific property shall be protected by law. As at the Latest Practicable Date, our PRC operating subsidiary did not own any land use right or have any real rights over any property and is therefore not subject to the Property Law.

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### Property lease

The Standing Committee of NPC promulgated the 中華人民共和國城市房地產管理法 (Urban Real Estate Administration Law of the People's Republic of China\*) (the “**Urban Real Estate Administration Law**”) on 5 July 1994, as effective from 1 January 1995 and revised on 30 August 2007 and 27 August 2009. According to the Urban Real Estate Administration Law, when leasing a property, (i) the lessor and lessee shall sign a written lease contract prescribing such provisions as the leasing term, intended use of the property, rental and repair liabilities and other rights and obligations of both parties; and (ii) carry out registration procedures to record the lease with the real estate administration department. As at the Latest Practicable Date, our PRC operating subsidiary leased a property for our production purposes and have entered into a legal and valid written lease agreement with the property owner.

### LAWS AND REGULATIONS ON LABOUR SECURITY

#### Labour law

On 5 July 1994, the Standing Committee of NPC promulgated 中華人民共和國勞動法 (the Labour Law of the People's Republic of China\*), effective as from 1 January 1995 and revised on 27 August 2009; on 29 June 2007, the Standing Committee of NPC promulgated 中華人民共和國勞動合同法 (the Labour Contract Law of the People's Republic of China\*), effective as from 1 January 2008 and amended on 28 December 2012; on 3 September 2008, the State Council promulgated the Regulations on the Implementation of 中華人民共和國勞動合同法實施條例 (the Labour Contract Law of the People's Republic of China\*), effective as from 18 September 2008 (collectively referred to as the “**PRC Labour Law**”).

According to the PRC Labour Law, a written labour contract must be concluded to establish the employment relationship between an employer and its employee. Further, the PRC Labour Law imposes certain requirements in respect of human resources management which relate to, without limitation, the entering and termination of labour contracts with employees, remuneration and compensation payments to employees, the making of social insurance contributions as well as requirements relating to minimum wage standards and improving labour security and hygiene for employees.

As at the Latest Practicable Date, our PRC operating subsidiary has entered into written labour contracts with all of its employees and have materially complied with requirements of the PRC Labour Law.

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### **Social insurance law**

On 28 October 2010, the Standing Committee of NPC promulgated 中華人民共和國社會保險法 (the Social Insurance Law of the People's Republic of China\*) (the “**Social Insurance Law**”), effective as from 1 July 2011. According to the Social Insurance Law, the PRC government shall establish a social insurance system which sets out requirements relating to basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee that PRC citizens will have access to material assistance from the PRC government in case of old age, illness, work-related injuries, unemployment and childbirth. An enterprise in China shall complete social insurance registration procedures with social insurance institutions and pay relevant insurance contributions to relevant social insurance institutions for its employees. Our PRC operating subsidiary participates in the social insurance program in the PRC and makes relevant social insurance contributions for its employees.

### **Regulations on management of housing provident fund**

On 3 April 1999, the State Council promulgated the 住房公積金管理條例 (Regulations on Management of Housing Provident Fund\*), effective as from the date of promulgation and revised on 24 March 2002. According to the Regulations on Management of Housing Provident Fund, enterprises in China shall register with the managing centre of housing provident fund, open an housing provident fund account at a commissioned bank, and pay into the housing provident fund for their employees at the relevant managing centre of housing provident fund. Our PRC operating subsidiary participates in the housing provident fund program in the PRC and makes housing fund contributions for its employees.