
REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations which are relevant to our Group's operations and business in Hong Kong, the PRC and other major jurisdictions to which we export our products.

Hong Kong

Occupational Safety and Health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:

- providing and maintaining plant and systems of work that are, so far as reasonably practicable, safe and without risks to health;
- making arrangements for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing such information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of the employer's employees;
- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health; or
 - providing and maintaining means of access to and egress from the workplace that are, so far as reasonably practicable, safe and without any such risks;
- providing and maintaining a working environment for the employer's employees that is, so far as reasonably practicable, safe and without risks to health.

Failure to comply with the above provisions constitutes an offence, and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), or suspension notices against activity of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively, and imprisonment of up to 12 months.

Employees' Compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

REGULATORY OVERVIEW

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200,000,000 per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years.

Pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by any person who would have been liable to pay compensation to the injured employee.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Employment

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Section 43C of the Employment Ordinance provides that, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work, and to the wages due to such an employee for two months without any deductions (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permissible. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

REGULATORY OVERVIEW

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Mandatory Provident Fund Schemes

The MPF Scheme is defined as a contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides that an employer shall participate in an MPF Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes.

The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Occupiers Liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that a visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Minimum Wage

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate (currently at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Air Pollution Control

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction,

REGULATORY OVERVIEW

industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong), and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise and arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays unless prior approval has been granted by the Noise Control Authority through a system of Construction Noise Permits. Certain equipment is also subject to restrictions on when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval in the form of a Construction Noise Permit from the Noise Control Authority. Any person who is in contravention of the aforesaid provisions shall be liable on a first conviction to a fine of HK\$100,000, on a second or subsequent conviction to a fine of HK\$200,000, and, in any case, to a fine of HK\$20,000 for each day during which the offence continues.

Waste Disposal

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges For Disposal Of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department within 21 days after the contract is awarded to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be

REGULATORY OVERVIEW

packaged, labelled and stored properly before disposal. Only a licenced collector can transport the waste to a licenced chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who, except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence, and is liable to a fine of HK\$200,000 and to imprisonment for six months for a first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence, and, in addition, to a further fine of HK\$10,000 for each day during which the offence continues.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The Competition Ordinance includes the First Conduct Rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practise, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practise or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power; and the Merger Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

Inland Revenue

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood as at the Latest Practicable Date at 16.5% for corporate tax payers. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

The PRC

Shenzhen Chuangheng, the principal operating entity of the Group, is located in the PRC. The operations of Shenzhen Chuangheng include the sales of LED lighting products, control systems, electrical accessories and hardware, all of which are subject to the compliance of the prevailing industrial policies, relevant laws, regulations, rules and government regulatory policies in the PRC. In respect of

REGULATORY OVERVIEW

the existing business operation of Shenzhen Chuangheng, Shenzhen Chuangheng is mainly subject to the laws, regulations and departmental rules below.

Laws and Regulations Relating to Foreign Investment

The guidelines of foreign investment in different industries in the PRC are set out in the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”) jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce and such catalogue will be amended and re-promulgated by these two government authorities from time to time. For the purposes of guiding foreign investment, industries are generally classified into four categories, namely the “encouraged” (鼓勵類), “permitted” (允許類), “restricted” (限制類) and “prohibited” (禁止類). Currently, only specific industries falling under the encouraged, restricted and prohibited categories are listed and what are not listed in the Catalogue would be considered to be the permitted category. The current effective version of the Catalogue was promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017 and implemented on 28 July 2017. According to the 2017 Catalogue, the wholesale, retail, logistics distribution of general merchandise are listed as the encouraged industry for foreign investment.

Wholly Foreign-owned Enterprise

Foreign-owned enterprises are subject to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 3 September 2016, and the Rules for the Implementation of the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated on 12 December 1990 and amended on 19 February 2014. A wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors. The liability of the foreign investor is limited to the amount of the register capital for which such investor subscribed.

Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People’s Congress on 22 February 1993, effective from 1 September 1993 and amended on 27 August 2009, it is prohibited to produce or sell industrial products that do not meet the standards and requirement for safeguarding human health and ensuring human and property safety. The producer shall be responsible for the quality of the products it produces and the seller shall take measures to maintain the quality of the goods for sale.

Where anyone produces or sells products that do not comply with the relevant national or trade standards of safeguarding the health or safety of people and property, the related competent authority in-charge of product quality will order the offender to suspend the production or sale of products, confiscate the products produced or for sale, and impose a fine higher than the value of the products and less than three times of the value of the products. The illegal earnings generated from such activities, if any, which have been obtained illegally, shall also be confiscated. If the circumstances are serious, the business license of the offender shall be revoked. If the activities constitute a crime, the offender will be prosecuted.

Product Labelling

Pursuant to the Measures for the Administration of Energy Efficiency Labels (《能源效率標識管理辦法》), which was promulgated by the National Development and Reform Commission

REGULATORY OVERVIEW

and the General Administration of Quality Supervision, Inspection and Quarantine in 2004, and amended on 29 February 2016 and effective from 1 June 2016, the National Development and Reform Commission shall, jointly with the General Administration of Quality Supervision, Inspection and Quarantine and the Certification and Accreditation Administration of the People's Republic of China, formulate and issue the Catalogue of the People's Republic of China on the Products Affixed with Energy Efficiency Labels 《中華人民共和國實行能源效率標識的產品目錄》 (the “**Energy Efficiency Catalogue**”), and the manufacturers and importers of energy consuming products listed in the Catalogue shall file the energy efficiency labels (the “**EELs**”) and the relevant information for record with the China National Institute of Standardisation authorised by the General Administration of Quality Supervision, Inspection and Quarantine and the National Development and Reform Commission. Manufacturers and importers shall affix EELs to the energy consuming products that have been listed in the Catalogue, print and use EELs according to the patterns and specifications as uniformly prescribed by the state and the labelling provisions, and make relevant explanations on the packages or instructions of the products.

Pursuant to the Implementing Rules on Energy Efficiency Label of Non directional self ballasted LED lamp for general lighting (《普通照明用非定向自鎮流LED燈能源效率標識實施規則》) and Catalogue of the PRC on the Products to be Affixed with Energy Efficiency Labels (2016 Edition) (《中華人民共和國實行能源效率標識的產品目錄(2016年版)》), which was promulgated by the National Development and Reform Commission, the General Administration of Quality Supervision, Inspection and Quarantine and the Quarantine and the Certification and Accreditation Administration of the People's Republic of China on 24 June 2016 and effective from 1 October 2016, fluorescent lighting products reaching certain technique standards shall be attached with energy efficiency label.

Pursuant to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), which was promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and amended on 2 July 2016, manufacturers and sellers of energy consuming products may, on voluntary basis and pursuant to the state provisions on energy conservation product authentication, apply to the energy conservation product authentication agencies acknowledged by the certification and accreditation administration department under the State Council for energy conservation product authentication. The enterprises which have passed the authentication may obtain an energy conservation product authentication certificate and use energy conservation product authentication marks on energy consuming products or their packages.

Product Certification

Pursuant to the Provisions on the Administration of Compulsory Product Certification (《強制性產品認證管理規定》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 3 July 2009 and became effective on 1 September 2009, the relevant products as prescribed by the state shall be subject to certification and be given an indication of the certification mark before they leave the factory, are sold, are imported or are used in other business activities. The producers, distributors and 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. The China Compulsory Certification (CCC Certification) shall only be granted if the applicant can pass the product testing and factory inspection, during which the certification authority will inspect, among others, the production control system of the manufacturer. Annual inspection will be conducted by the certification authority after the certification has been granted.

Pursuant to the Regulations of the People's Republic of China on Certification and Accreditation (《中華人民共和國認證認可條例》), which was promulgated by the State Council on 3 September 2003 and

REGULATORY OVERVIEW

became effective on 1 November 2003, and amended on 6 February 2016, in order to safeguard the national security, prevent fraudulent acts, protect human health or safety, safeguard the life or health of animals and plants, and protect the environment, no products, which must be certified as prescribed by the State, may leave the factory, or may be sold, imported or used in other business activities until after being certified and labelled with the certification marks. The State shall consolidate the catalogues of products, the compulsive requirements, standards and conformity assessment procedures of the technical norms, and the marks, as well as the charging standards for those products that must be certified.

Qualification Management

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), which was promulgated by the Ministry of Housing and Urban-Rural Development (“MOHURD”) on 22 January 2015, implemented as from 1 March 2015, and amended on 20 October 2016, and the Qualification Standards of Construction Enterprises (《建築業企業資質標準》), which was promulgated by the MOHURD on 6 November 2014 and implemented as from 1 January 2015, an enterprise shall apply for its construction industry qualification on the basis of its conditions including its assets, key personnel, construction projects completed and technical equipment, and may only engage in construction activities within the scope of its qualification permit after passing the qualification examination and obtaining the certificate for construction enterprise qualification. The qualifications for construction enterprises are divided into three groups, namely general construction contracting qualification, professional contracting qualification and construction labour qualification. If a company is engaged in the installation of lighting projects (including providing LED lighting installation works and related maintenance services), the company shall apply for and obtain the professional contracting qualification certificate for building decoration projects under the qualifications for construction enterprises. If a company is engaged in the installation of urban and road lighting projects, the company shall apply for and obtain the professional contracting qualification certificate for urban and road lighting projects under the qualifications of construction enterprises.

Consumer Interests Protection

Pursuant to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), which was promulgated by the Standing Committee of the National People’s Congress on 31 October 1993 and effective from 1 January 1994, and amended on 25 October 2013, in purchasing and using commodities or receiving services, consumers shall have the right to be free from damage to their personal and property safety. Consumers suffering personal injury or property damage from their purchase or use of commodities or receipt of services shall be entitled to compensation in accordance with the law.

Import or Export of Products

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the Standing Committee of the National People’s Congress on 12 May 1994 and effective from 1 July 1994, and amended on 7 November 2016, any foreign trade business operator that is engaged in the import and export of goods or technology shall file registration with the administrative department of foreign trade of the State Council or the institution entrusted thereby. Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the Standing Committee of the National People’s Congress on 22 January 1987 and effective from 1 July 1987, and amended on 7 November 2016, the consignees or consigners for imported or exported goods and the customs declaration enterprises must legally register with the customs offices for customs declaration. Engaging in customs declaration without such registration shall be prohibited.

REGULATORY OVERVIEW

Pursuant to the Administrative Measures on Entry-Exit Inspection and Quarantine Application Enterprises 《出入境檢驗檢疫報檢企業管理辦法》, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 15 February 2015 and became effective on 1 April 2015, and amended on 18 October 2016, Applying enterprises are encouraged to file with the inspection and quarantine department before applying for inspection and quarantine.

Foreign Exchange

Pursuant to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and effective from 1 April 1996, and amended on 5 August 2008, an overseas institution or individual that makes direct investments in the territory of the People's Republic of China shall register with a foreign exchange administrative organ upon the approval of the competent department. The state shall implement the scale management of foreign debts. Any institution or individual borrowing foreign debts shall abide by the relevant state provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. Pursuant to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which was promulgated by the State Administration of Foreign Exchange on 11 May 2013 and became effective on 13 May 2013, domestic direct investment shall be subject to registration management. Institutions and individuals involved in domestic direct investment shall register with the State Administration of Foreign Exchange and its branch offices (hereinafter referred to as the “**foreign exchange authorities**”). Banks shall provide the relevant domestic direct investment service in accordance with the registration information filed with the foreign exchange authorities. The foreign exchange authorities shall supervise and administer the registration, opening and modification of accounts, capital receipts and payments, and foreign exchange settlement and sale, among others, relating to domestic direct investment.

Labour and Social Security

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of National People's Congress on 5 July 1994 and effective from 1 January 1995, and amended on 27 August 2009 and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of National People's Congress on 29 June 2007 and effective from 1 January 2008, and amended on 28 December 2012, a written labour contract shall be concluded between employer and an employee in the establishment of an employment relationship. The State implements the minimum wage protection system, and the wages which the employer pays to labourers shall not be lower than the local minimum wage standards. Employers are required to establish and improve the labour safety and health system, strictly implement the regulations and standards for state labour safety and health, and provide relevant education to their employees, prevent accidents during work and reduce occupational hazards.

The relevant departments of the state have also formulated laws and regulations in order to protect the legitimate rights and interests of employees, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (which was promulgated by the Standing Committee of National People's Congress on 28 October 2010 and effective from 1 July 2011), the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) (which was promulgated and effective by the State Council on 3 April 1994, and amended on 24 March 2002), the Regulation on Work-Related Injury Insurance (《工傷保險條例》) (which was promulgated by the State Council on 27 April 2003 and effective from 1 January 2004, and amended on 20 December 2010), the Regulation on Unemployment Insurance

REGULATORY OVERVIEW

(《失業保險條例》) (which was promulgated and effective by the State Council on 22 January 1999), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》) (which was promulgated by the Ministry of Labour and Social Security on 14 December 1994 and effective from 1 January 1995) and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (which was promulgated and effective by the State Council on 22 January 1999).

MAJOR JURISDICTIONS TO WHICH WE EXPORT OUR PRODUCTS

Europe

Product Certification

CE marking is a certification mark that indicates conformity relating to health, safety, and environmental protection for certain products sold within the European Economic Area (“EEA”). By affixing the CE marking to a product, a manufacturer or importer or distributor declares that the product meets all the legal requirements for the CE mark and can be sold throughout the EEA.

Macau

Customs Duties

Macau is a free port with no tariffs levied on general imported products.

Product Certification

The Product Safety Regulation (Administrative Regulation No. 17/2008), which was published on 7 July 2008, provides general legal obligations on product safety for all products placed on the Macau market. Under the Product Safety Regulation, only products that comply with the general safety requirement and as such are considered safe may be placed on the market. Safe products mean any product which, under normal or reasonably foreseeable conditions of use, does not present any risk to the consumer, or where only minimum risks are compatible with the product’s ordinary use.

Singapore

Customs Duties

Singapore is a free port and levies import duties mainly on motor vehicles, tobacco, petroleum products and liquor. Export duties are not levied on goods exported from Singapore.

Product Certification

Artificial lighting including LED light source is regulated by The Electrical and Electronic Standards Committee under the Singapore Standards Council appointed by the SPRING Singapore (Standards, Productivity and Innovation Board) (previously known as the Productivity and Standards Board). The major standard for LED lighting products is SS IEC 62717:2015: LED modules for general lighting — Performance requirements.

South Korea

Customs Duties

Customs duties are levied on imported goods generally. The Harmonised System of tariff nomenclature is adopted as a basis for the collection of customs duties. Importer should declare the

REGULATORY OVERVIEW

prescribed information of the imported goods with the customs house before entering into the Korean market. The dutiable value of the imported goods is determined in accordance with the Customs Act.

Product Certification

KC (Korea Certification) safety certification is a mandatory certification which signifies compliance with South Korea's product safety requirements for electrical and electronic equipment and components. The KC certification shall only be issued if the applicant can pass the product testing and factory inspection, during which the safety certification agency will verify if the manufacturer is in compliance with applicable safety criteria and standards. Periodic inspection will be conducted by the safety certification agency after the certification has been granted.

Taiwan

Customs Duties

Customs duties are imposed on all goods entering into Taiwan except those exempted under the Customs Act and related regulations, such as goods imported into bonded zones. Customs duties are payable by the consignees, holders of the bills of lading or holders of the imported goods, and is based on the dutiable value or the volume of the commodities.

Product Certification

BSMI (Bureau of Standards, Metrology and Inspection) mark is compulsory for products specified by the Ministry of Economic Affairs of Taiwan to comply with inspection requirements before they are shipped from the manufacturing premises or imported to and placed on the market in Taiwan. Manufacturers or importers of these products must apply to the Bureau of Standard, Metrology and Inspection for inspection to obtain the Registration of Product Certification before shipment or importation.

Thailand

Customs Duties

Pursuant to the Customs Act and the Customs Tariff Decree, customs duties are imposed on both imports and a limited number of exports. Exemptions from import duties are available on particular goods according to the Customs Tariff Decree. Preferential duty rates are available for certain imported goods from countries with a preferential free trade agreement with Thailand.

Product Certification

Electrical products regulated under the Industrial Product Standards Act are required to be inspected and certified by Thai Industrial Standards Institute and be affixed with the TISI mark. Products under the mandatory list need to comply with product safety standards and factory quality control system requirements before affixing the mandatory TISI mark. Assessment of quality control system usually involves factory inspection and the sample testing.