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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN CHINA,  
ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY  
FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF CHINA**

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*Private & Confidential*

14<sup>th</sup> January 2021

*Our Ref:* JZJGZ/LO/202012011-MIHZ

**The Board of Directors**

**Mi Technovation Berhad**

No. 20, Medan Bayan Lepas Technoplex  
MK 12, Taman Perindustrian Bayan Lepas  
11900 Bayan Lepas, Pulau Pinang  
Malaysia

Dear Sir/Madam,

**LEGAL OPINION ON THE OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN THE  
PEOPLE'S REPUBLIC OF CHINA ("PRC"), THE ENFORCEABILITY OF AGREEMENTS,  
REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PART(IES)  
UNDER THE LAWS OF THE PRC**

We, JunZeJun Law Offices (Guangzhou), are qualified law firm licensed to practice in the People's Republic of China ("PRC", for the purpose of issuing this legal opinion and any and all other opinions thereafter, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). We have been engaged and instructed by Mi Technovation Berhad duly incorporated under the laws of Malaysia, with its address at No. 20, Medan Bayan Lepas Technoplex, MK 12, Taman Perindustrian Bayan Lepas, 11900 Bayan Lepas, Pulau Pinang, Malaysia (the "**Company**") to issue a legal opinion on the above subject matter in relation to the proposed acquisition of 21,983,000 common shares in Accurus Scientific Co Ltd (in Chinese, 恆碩科技股份有限公司, the "**Target**"), representing approximately 99% equity interest in Accurus Scientific for a total purchase consideration of approximately NTD1,878,157,550 (equivalent to RM271,012,500) to be satisfied via the allotment and issuance of the 74,250,000 new ordinary shares in the Company ("**Consideration Share(s)**") at an issue price of RM3.65 per Consideration Share ("**Proposed Acquisition**").

The Target is a legal entity duly incorporated in Taiwan which has a wholly-owned subsidiary in the PRC, Accurus (Ningbo) Scientific Co., Ltd. (in Chinese, 弘碩科技(宁波)有限公司, the "**Ningbo Subsidiary**"), with registered address at Room 2-4, No. 1-2, Building One, No. 1 Lane 173, Xiapu Road, Xiapu Sub-district, Beilun District, Ningbo, Zhejiang, PRC (浙江省宁波市北仑区霞浦街道霞浦路173弄1号1幢1-2号2-4室).



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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN CHINA, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF CHINA (CONT'D)**

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Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Company is required to issue a circular to its shareholders (“**the Circular**”) to obtain their approval at an extraordinary general meeting, and this legal opinion will be attached to the Circular.

The scope of this opinion is limited to the subject matters below:

1. ownership of title to securities of Ningbo Subsidiary;
2. enforceability of agreements, representations and undertakings given by Ningbo Subsidiary in relation to the Proposed Acquisition; and
3. rights to a piece of state-owned land located at Miaofeng Mount Road, Xiapu Town, Beilun District, Ningbo (“**Land**”).

Unless otherwise provided herewith in Appendix I as necessary from our perspective, for the purpose of giving this legal opinion, we are not requested to carry out, and have we not done so, any independent investigation or due diligence in relation to Ningbo Subsidiary or the Proposed Acquisition, nor have we reviewed any transaction documents (including any agreements, representations and undertakings) in relation to the Proposed Acquisition.

In rendering this legal opinion, we have assumed that:

1. the authenticity of the documents provided to us as originals and the conformity to the originals of the documents submitted to us as copies;
2. in response to our inquiries and requests for the purpose of this opinion, all the relevant information and materials that have been provided to us, including all factual statements in the documents and all other factual information provided to us are true, accurate, complete and not misleading, and that the Company has not withheld anything that, if disclosed to us, would reasonably cause us to alter this opinion in whole or in part;
3. that all parties to the documents provided to us in connection with this opinion, have the requisite power and authority to enter into, and have duly executed, delivered and/or issued those documents to which they are parties, and have the requisite power and authority to perform their obligations thereunder.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than PRC. This opinion is governed by and construed in accordance with the laws and regulations of PRC and is limited to and is given on the basis of the current law and practice in PRC. This opinion is issued solely for the Company’s benefit and is not to be relied upon by any other person, firm or entity or in respect of any other matter.

On the basis of and subject to the foregoing, we are of the opinion below:

**1. Ownership of Title to Securities of Ningbo Subsidiary**

- (i) Basic business registration information of Ningbo Subsidiary is exhibited below:

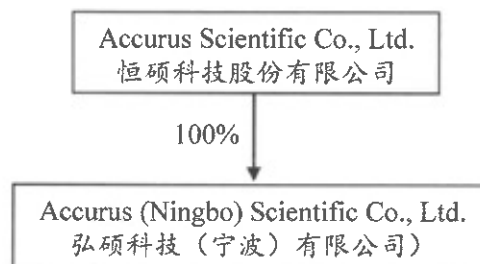
<b>Name</b>	Accurus (Ningbo) Scientific Co., Ltd.
<b>Full name in Chinese</b>	弘硕科技(宁波)有限公司
<b>Date of incorporation</b>	08-Jun-2017
<b>Duration of business</b>	From 08-Jun-2017 to 06-Jun-2067
<b>Registered capital</b>	USD24,492,497.53

**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN CHINA,  
ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY  
FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF CHINA (CONT'D)**



<b>Deadline to fulfill capital contribution</b>	15-May-2047
<b>Registered address</b>	Room 2-4, No. 1-2, Building One, No. 1 Lane 173, Xiapu Road, Xiapu Sub-district, Beilun District, Ningbo, Zhejiang, PRC (浙江省宁波市北仑区霞浦街道霞浦路173弄1号1幢1-2号2-4室)
<b>Taxpayer ID number</b>	91330200MA291HU87Y
<b>Statutory corporate representative</b>	Mr. Wang Chung-Chen (in Chinese: 王重建), Taiwanese
<b>Shareholder</b>	Accurus Scientific Co., Ltd. (in Chinese: 恒硕科技股份有限公司), 100%

- (ii) The Ningbo Subsidiary is duly incorporated and validly existing under the laws of PRC as a limited liability company, which is an independent legal entity wholly-owned by the Target. Corporate equity structure of the Target and the PRC Subsidiary is exhibited below:



- (iii) The Ningbo Subsidiary is currently in good standing under the laws of PRC.
- (iv) The Ningbo Subsidiary has full power, capacity and authority to carry on its business, to own real or personal property including the shareholding in other entities.
- (v) According to Articles of Association, the sole shareholder of the Ningbo Subsidiary has full power and authority to make decisions on substantive matters of all aspects of the Ningbo Subsidiary, including strategies, investments, merger, division, dissolution, liquidation, change of corporate form, and to nominate and appoint one managing director and one supervisor of the Ningbo Subsidiary, as the Ningbo Subsidiary has no board of directors nor board of supervisors being set up. Pursuant to laws of the PRC and the Articles of Association of Ningbo Subsidiary, there is no restriction to transfer ownership of the shares of Ningbo Subsidiary, nor are there any restrictions on a holder of the shares of Ningbo Subsidiary to exercise the right to vote on its shares, and based on documents made available to us, no consents or approvals of any third party is required to give effect to such transfer or for any third party to hold such shares or to exercise rights in respect of such shares.
- (vi) The managing director, reporting to the Target, has full power to nominate and designate general manager ("GM") of Ningbo Subsidiary, and other senior management reports to the GM.
- 2. Enforceability of agreements, representations and undertakings given by Ningbo Subsidiary in relation to the Proposed Acquisition**

Agreements, representations and undertakings (collectively, the "Warranties") in relation to the Proposed Acquisition are binding on parties who have made such Warranties, therefore

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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN CHINA,  
ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY  
FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF CHINA (CONT'D)**

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Warranties given by the Ningbo Subsidiary, if any, in relation to the Proposed Acquisition generally are binding and enforceable on Ningbo Subsidiary if, subject to applicable governing law, they are lawfully executed and delivered, and do not contradict with basic principles and mandatory provisions of PRC laws. As of the date of this opinion, we have not received nor reviewed any Warranties given by the Ningbo Subsidiary in relation to the Proposed Acquisition.

Nonetheless, since Ningbo Subsidiary is wholly owned by the Target, the latter has full powers to instruct Ningbo Subsidiary from various aspects by measures provided in the Articles of Association, as described above in I(v), such as nominating managing director and GM, and directing its management and officers to fully cooperate and enforce such Warranties.

### **3. Rights to the Land**

Our opinion on the Land is limited to the following subject to information available to us without due diligence on the Land. Particularly, our opinion does not cover any and all buildings and construction projects whether ongoing or completed on the Land.

- (i) As at the date hereof, the Ningbo Subsidiary had obtained land use right for the Land, located at the northeast of the cross of Miaofeng Road and Guihua Road (east to Miaofeng Mount Road and north to Guihua Road, Beilun District, Ningbo, 北仑区霞浦街道妙峰山路东、规划道路北), with an aggregate area of approximately 12,275 square meters and the Ningbo Subsidiary has obtained the Real Property Ownership Certificates for the right of use of state-owned land and the Ningbo Subsidiary is the sole owner of the land use right, which is to expire as of 19th November 2067.
- (ii) The site for the production of semiconductor integrated circuit materials such as tin balls and tin sticks is located on the Land. The purpose of use of the Land is consistent with the agreement between the Ningbo Subsidiary and local district government.
- (iii) The location of the semiconductor integrated circuit material production project meets the requirements of environmental functional zoning, pollutant emission, nature of the Land, and the requirements of industrial policies and prevention measures against environmental pollution.
- (iv) According to the Credit Approval Notice, the land use right, and associated ongoing constructions when completed, are mortgaged to Mega International Commercial Bank Ningbo Branch. The Target and Mr. Wang Chung-Chen shall bear joint liability with Ningbo Subsidiary if it fails to repay any loan within the loan credit limit of RMB fifty (50) million. Save as disclosed above, there is no corresponding record of mortgage registration for the Land or constructions built on it in relation to the loan or loan credit.

Yours sincerely

**JunZeJun Law Offices (Guangzhou)**

**ZENG Fei**  
Principal Counsel

[Appendix I follows]

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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN CHINA, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF CHINA (CONT'D)**

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**Appendix I List of Materials Reviewed by JunZeJun**

For the purpose of giving this opinion, we have examined copies of the followings:

1. Articles of Association of the Ningbo Subsidiary;
2. Updated Business License of the Ningbo Subsidiary dated 2<sup>nd</sup> February 2019;
3. Receipt of Change Record of Foreign-Invested Enterprise by Commerce Bureau of Beilun District dated 7<sup>th</sup> March 2019;
4. Change of Registration of the Ningbo Subsidiary at local company registry dated 12<sup>th</sup> March 2020;
5. Contract for Transfer of Use Right over State-owned Land dated 30<sup>th</sup> October 2017 between Management Committee of Ningbo Economic and Technological Development Zone (in Chinese 宁波经济技术开发区管委会) and the Ningbo Subsidiary;
6. Investment Agreement between the Target and Management Committee of Ningbo Economic and Technological Development Zone dated August 2017;
7. Real Estate Certificate (No.0034522) dated 28<sup>th</sup> September 2018;
8. Credit Approval Notice(No.0D3501950044) from Ningbo Branch of Mega International Commercial Bank dated 2<sup>nd</sup> January 2020;
9. Online Search Information relating to Ningbo Subsidiary including:
  - a) Publicity information of Assessment Result of Environment Impact on the Land dated 26<sup>th</sup> July 2018; and
  - b) National Publicity System for Credit Information of Enterprises.

[end of document]

**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE**

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**To:**  
 The Board of Directors  
**Mi Technovation Berhad**  
 Suite 12-A, Level 12  
 Menara Northam  
 No. 55 Jalan Sultan Ahmad Shah  
 10050 Georgetown  
 Penang

Writer Elaine Beh  
 Email Elaine.Beh@shlegalworld.com  
 Direct line +65 6661 6851  
 Direct fax +65 6339 4991  
 Our reference ELB/

14 January 2021

Dear Sir,

**MI TECHNOVATION BERHAD ("COMPANY") – PROPOSED ACQUISITION OF 21,983,000 COMMON SHARES IN ACCURUS SCIENTIFIC CO. LTD. ("ACCURUS SCIENTIFIC" OR "TARGET"), REPRESENTING APPROXIMATELY 99% EQUITY INTEREST IN ACCURUS SCIENTIFIC FOR A TOTAL PURCHASE CONSIDERATION OF APPROXIMATELY NTD1,878,157,550 (EQUIVALENT TO RM271,012,500) TO BE SATISFIED VIA THE ALLOTMENT AND ISSUANCE OF THE 74,250,000 NEW ORDINARY SHARES IN THE COMPANY ("CONSIDERATION SHARE(S)") AT AN ISSUE PRICE OF RM3.65 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION")**

**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE AND ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PART(IES) UNDER THE LAWS OF SINGAPORE**

**Introduction**

- 1 We are a firm of lawyers qualified to practise and practising in the Republic of Singapore ("**Singapore**"). We have been instructed by the Company to give this opinion on the matters set out below in connection with the Company's issuance of a circular to its shareholders to seek shareholders' approval for the Proposed Acquisition. The Target is a Taiwan private limited company which owns 80% shareholding interest in Accurus Scientific Pte. Ltd. ("**Target Subsidiary**"), a private limited company incorporated in Singapore.
- 2 For the purposes of giving this opinion:
  - 2.1 we have been provided with, and have only examined the following documents:
    - 2.1.1 a copy of the certificate confirming the incorporation of the Target Subsidiary;

**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE (CONT'D)**

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www.virtus-law.com

**STEPHENSON  
HARWOOD**  
(SINGAPORE) ALLIANCE

- 2.1.2 a copy of the constitution of the Target Subsidiary ("**Constitution**");
- 2.1.3 a copy of physical register of members of the Target Subsidiary in respect of the Target's shareholding in the Target Subsidiary;
- 2.1.4 a copy of share certificate issued by the Target Subsidiary to the Target; and
- 2.1.5 a signed letter of confirmation dated 14 January 2021 from the Company,

(Collectively, "**Documents**")

- 2.2 we have conducted instant information searches against the name "Accurus Scientific Pte. Ltd." on 3 December 2020 and 14 January 2021 via Bizfile, an electronic search service offered by Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") ("**Bizfile Searches**");
- 2.3 we have extracted the electronic register of members of the Target Subsidiary kept and maintained by ACRA dated 9 December 2020 and 14 January 2021 via Bizfile ("**Extracts**");
- 2.4 we have conducted electronic company winding-up and litigation searches against the company registration number of 201602688N of the Target Subsidiary on 9 December 2020 and 14 January 2021 for the years 2018, 2019 and 2020 and the period from 1 January 2021 to 14 January 2021 ("**Search Period**") via eLitigation, an electronic search service offered by the judiciary of Singapore ("**Winding-up and Litigation Searches**");

and have relied upon the statements as to factual matters contained in or made pursuant to each of the Documents and searches mentioned in this paragraph 2.

- 3 This opinion is confined to the laws of Singapore of general application as at the date of this opinion as applied by the Singapore courts, and is given on the basis that it will be governed by and construed in accordance with the laws of Singapore. We express no opinion with respect to the laws of any other jurisdiction. Insofar as any law other than the laws of Singapore may be relevant to this opinion, we have taken no account of, and have made no investigation of, such law and have assumed that no such law would affect the opinion stated herein.

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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE (CONT'D)**

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### **Assumptions**

- 4 We have with your consent and without any further enquiry assumed:
- 4.1 the genuineness of all signatures and seals on, and the authenticity and completeness of the Documents and that no amendments or variations have been made to the Documents;
  - 4.2 the conformity to originals of the Documents supplied to us as copies;
  - 4.3 that no steps have been taken for the winding-up, liquidation, receivership, judicial management or analogous circumstances of the Target Subsidiary (which are not as reflected in the Winding-up and Litigation Searches);
  - 4.4 that the Target Subsidiary's Constitution is true, complete and up-to-date copy of the constitution of the Target Subsidiary as in force as at the date hereof;
  - 4.5 that the information disclosed by the Bizfile Searches, the Extracts and the Winding-up and Litigation Searches on the Target Subsidiary is accurate, complete and up-to-date in all respects and that such searches did not fail to disclose any information which had been submitted for filing or registration but was not disclosed or, as the case may be, did not appear in the searches;
  - 4.6 the results of the Bizfile Searches and the Extracts of the Target Subsidiary revealed all matters required by law to be notified to ACRA, including but not limited to all notices, registrations, submissions or filings required to be submitted to ACRA under the laws of Singapore; and
  - 4.7 there are no other documents which may affect our opinion herein which have not been provided to us.

### **Searches**

- 5 The Winding-up and Litigation Searches revealed no order or resolution for the winding up of the Target Subsidiary, and no notice of appointment of a receiver or judicial manager for the Target Subsidiary. It should be noted that such searches are not always accurate in revealing whether or not a winding-up petition has been presented as notice of a winding-up order or resolution passed or a receiver or judicial manager appointed may not be filed immediately. It should also be noted that any proceeding which commenced outside the Search Period will not be reviewed in the Winding-up and Litigation Searches.



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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE (CONT'D)**

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**Opinion**

- 6 On the basis of, and subject to, the foregoing and the matters set out in paragraphs 7 and 8 below, and having regard to such considerations of Singapore law in force as at the date of this letter as we consider relevant, we are of the opinion that:

**Due Incorporation of Target Subsidiary**

- 6.1 The Target Subsidiary is a company duly incorporated, validly existing as private company limited by shares under the laws of Singapore as at the date of this letter.

**Capacity of the Target Subsidiary and Enforceability of Agreements, Representations and Undertakings**

- 6.2 The Target Subsidiary has full capacity, power and authority under its Constitution to enter into valid and binding agreements, make representations and commit to undertakings in its own name in Singapore.
- 6.3 Based solely on the confirmation from the Company, (a) the Target Subsidiary is not a signatory to any document relating to the Proposed Acquisition (including but not limited to the share exchange agreement between the Company and the vendor(s) in connection of the Proposed Acquisition); (b) the Company has not entered into any agreements with the Target Subsidiary and has not provided any representations or undertakings to the Target Subsidiary; and (c) the Target Subsidiary has not provided any representations or undertakings to the Company, which would otherwise require us to review or opine on.

**Ownership of Title to Shares in the Target Subsidiary**

- 6.4 According to the Bizfile Searches and the Extracts, as at the date of this letter, the total issued share capital of the Target Subsidiary is S\$488,880 comprising 488,880 issued ordinary shares ("**Shares**"), all of which were credited as fully paid. The Target and Koh Ching Soon are the registered shareholders of the Target Subsidiary and as at the date of this letter hold 391,104 Shares (representing 80% of the total issued Shares) and 97,776 Shares (representing 20% of the total issued Shares), respectively, in the issued share capital of the Target Subsidiary.

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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE (CONT'D)**

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- 6.5 Based on a review of the Constitution of Target Subsidiary, there is no restriction under the Constitution on transfer of ownership of the Shares, nor are there any restrictions under the Constitution on a holder of the Shares to exercise the right to vote on its/his Shares. None of the Documents made available to us requires the consent or approval of any third party to be obtained to give effect to a transfer of the Shares or for any third party to hold the Shares or to exercise rights in respect of the Shares.

**Qualifications**

- 7 Our opinion is subject to the following qualifications:
- 7.1 Our opinion set out in this letter is strictly limited to the matters stated in it and does not apply by implications to other matters.
- 7.2 This opinion merely covers matters considered by us from a legal perspective and we disclaim any skills or expertise in assessing any matter from an accounting, taxation, financial, statistical, taxation or accounting matter or its adequacy.
- 8 We should also like to make the following observations:
- 8.1 it should be understood that we have not been responsible for investigating or verifying the accuracy of the facts, statements of foreign law, or the reasonableness of any statement of opinion or intention, contained in or relevant to the Documents, or that no material facts have been omitted therefrom.
- 8.2 Except for the Documents, we have not examined any contracts or other documents entered into by or affecting the Target Subsidiary or any corporate records of the Target Subsidiary.
- 8.3 We have also not made any other enquiries or searches concerning the Target Subsidiary except as mentioned in paragraphs 2.2, 2.3 and 2.4 above.

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**LEGAL OPINION ON OWNERSHIP OF TITLE TO SECURITIES OR ASSETS IN SINGAPORE, ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE RELEVANT LAWS OF SINGAPORE (CONT'D)**

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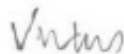
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(SINGAPORE) ALLIANCE

**Benefit of opinion**

- 9 This opinion is addressed to you solely for your own benefit in relation to the Proposed Acquisition and is not to be transmitted or disclosed to or used or relied upon by any other person or used or relied upon by you for any other purpose without our prior written consent, except that this letter may be annexed to the circular of the shareholders of the Company in respect of an extraordinary general meeting to be convened to approve the Proposed Acquisition. This opinion does not however constitute a recommendation to any shareholder of the Company as to how any shareholder should vote in respect of the Proposed Acquisition.

Yours sincerely



**Virtus Law LLP**

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EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND  
REPATRIATION OF PROFITS OF TAIWAN

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LCS

LCS

協合國際法律事務所  
LCS & PARTNERS

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January 14, 2021

**The Board of Directors**

**Mi Technovation Berhad**

No. 20, Medan Bayan Lepas Technoplex

MK 12, Taman Perindustrian Bayan Lepas

11900 Bayan Lepas, Pulau Pinang, Malaysia

Attention: The Board of Directors of Mi Technovation Berhad

Dear Sir/Madam,

**TAIWAN - POLICIES GOVERNING FOREIGN INVESTMENTS, TAXATION AND  
REPATRIATION OF PROFITS OF TAIWAN**

We, LCS & PARTNERS, have been instructed by Mi Technovation Berhad (the “**Company**”) to advise on the Republic of China (“**Taiwan**”) law aspects in relation to the proposed acquisition of 21,983,000 common shares in Accurus Scientific Co Ltd (“**Accurus Scientific**” or “**Target**”), representing approximately 99% equity interest in Accurus Scientific for a total purchase consideration of approximately NTD1,878,157,550 (equivalent to RM271,012,500) to be satisfied via the allotment and issuance of the 74,250,000 new ordinary shares in the Company (“**Consideration Share(s)**”) at an issue price of RM3.65 per Consideration Share (the “**Proposed Acquisition**”).

We understand that this opinion will be used for inclusion in the circular to shareholders of the Company to be issued in connection with the Proposed Acquisition (“**Circular**”).

We have made no investigation of, and express no opinion on, the law of any other jurisdiction. This opinion is governed and construed in accordance with the laws and regulations of Taiwan as they are in force and applied by the Taiwan courts at the date of this opinion.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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LCS

**I. Regulations on Foreign Investment****1. Overview**

Foreign investments in Taiwan are governed by the Statute for Investment by Foreign Nationals 1997 of Taiwan (the “**Statute for Investment by Foreign Nationals**”). The competent authority is the Ministry of Economic Affairs (“**MOEA**”). Except for those who have invested in Taiwan listing company without exceeding ten percent (10%) of the outstanding shares of such listing company and registered their investments with the Taiwan Stock Exchange/Taipei Exchange, any foreign investors who wish to make a direct investment in a Taiwan company are required to apply for a foreign investment approval with the Investment Commission of the MOEA or other relevant authorities in accordance with the Statute for Investment by Foreign Nationals. Foreign investors may invest by holding shares issued by a Taiwan company, contributing to its registered capital, establishing a branch office, a proprietary business or a partnership in Taiwan, or providing loans to the invested business for a period exceeding one (1) year.

**2. Restrictions**

Generally, there is no limitation to the ultimate foreign ownership in a Taiwan company, except that certain business categories listed in the Negative Listings (a list promulgated by the MOEA which states certain industries are not allowed to be invested by foreign entities and certain industries will be subject to certain restrictions on foreign investment, the “**Negative Listings**”) are not allowed to be invested by foreign investors and certain other businesses such as wireless and fixed line telecommunications, cable television broadcasting services, and satellite television broadcasting services are subject to investment restrictions. In addition, such Negative Listings promulgated by the MOEA may change from time to time.

**II. Taxation on Foreign Invested Entity****1. Enterprise Income Tax**

For any profit-seeking enterprise operating within the territory of Taiwan, profit-seeking enterprise income tax shall be levied in accordance with the Income Tax Act 2019 of Taiwan (the “**Income Tax Act**”). Pursuant to Articles 21 and 23 of the Income Tax Act, a profit-seeking enterprise shall keep sufficient and accurate account books, vouchers and accounting records to calculate its total amount of business income and unless otherwise approved by the authority, the fiscal year shall commence on January 1 and end on December 31 of each

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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calendar year.

The amount of income of a profit-seeking enterprise shall be the net income, i.e., the gross yearly income after deduction of all costs, expenses, losses and taxes. The enterprise income tax is paid on a self-assessment basis in two (2) instalments. Generally, a company must pay provisional income tax equal to fifty percent (50%) of the tax payable of the previous year between September 1 and September 30 of the current tax year. However, if the taxpayer meets certain requirements, it can opt to pay the provisional tax based on its taxable income for the first six (6) months of the current tax year. Within the period from May 1 to May 31 of each year, the company should file annual income tax return with the authority indicating the items and amounts of its gross profit-seeking income for the preceding year together with the tax deductions/exemptions, including deducting the provisional tax paid in September of previous year. Currently, the income tax rate for a profit-seeking enterprise is twenty percent (20%) and a taxable income equal to or less than NT\$120,000 is exempt from income tax.

## **2. Business Tax**

Value-added or non-value-added business tax shall be levied, in accordance with the Value Added and Non-Value-Added Business Tax Act 2017 of Taiwan (the "**Business Tax Act**"), on the sale of goods or services within the territory of Taiwan and on the import of goods. Pursuant to Articles 3 and 4 of the Business Tax Act, the term "sale of goods" herein means the transfer of ownership of goods to others for a consideration, and any of the following circumstances shall be considered as a sale of goods within the territory of Taiwan: (i) where goods sold are required to be transported in order to effectuate delivery, the origin of shipment is within Taiwan; or (ii) where goods sold are not required to be transported, the goods are located within Taiwan. In addition, any one of the following shall be deemed as a sale of goods: (i) goods produced, imported or purchased by a business entity for sale but in fact used by itself or transferred to others for no consideration; (ii) goods used to redeem debt or distributed to shareholders or investors or stock left over when a business entity is dissolved or shut-down; (iii) goods purchased by a business entity under its own name on behalf of a third party and delivered to the third party; (iv) goods consigned by a business entity to others for sale; and (v) consigned goods sold by a business entity (the same shall also be applicable to sale of services). The term "sale of services" means the supply of services to others or the provision of goods for the use of others for a consideration with the exception of professional services offered by practitioners and services rendered by individuals in employment.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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Pursuant to Article 10 of the Business Tax Act, unless otherwise prescribed by the Business Tax Act, the business tax rate shall be between five percent (5%) and ten percent (10%) and the exact rate shall be determined by the Executive Yuan, Taiwan. Currently, the business tax rate is five percent (5%). Pursuant to Paragraph 1, Article 35 of the Business Tax Act, a business entity, whether or not it has sales, shall file a bimonthly tax return on sales and tax payable or overpaid in a prescribed form with the competent tax authority 15 calendar days prior to the subsequent tax filing period.

### **3. Tax on the dividends and interests arising from investment in Taiwan**

For non-resident shareholders, tax is withheld at source on dividends distributed by a Taiwan company. Generally, the withholding tax rate for dividend payments is twenty-one percent (21%); however, since there is an "Agreement between the Taipei Economic and Cultural Office in Malaysia and the Malaysian Friendship and Trade Centre in Taipei for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the "**Double Taxation Agreement**"), the withholding tax rate for dividend payments to a Malaysian shareholder is twelve point five percent (12.5%).

Regarding the withholding tax on interest payment, for non-resident shareholders, a twenty percent (20%) withholding tax applies to interest income derived from loans to the invested company; however, under the Double Taxation Agreement between Taiwan and Malaysia, the withholding tax rate for interest payments to a Malaysian shareholder is ten percent (10%).

### **4. Land Value Tax**

In Taiwan, the landowner should pay the land value tax in November of every fiscal year. The taxpayer must declare the value of his/her land with reference to the land value announced by the Land Value Evaluation Committee. The declared land value should be within a range from eighty percent (80%) to one hundred twenty percent (120%) of the land value announced by the government. The land value tax adopts a progressive rate scale from ten per mille (10 ‰) to fifty-five per mille (55 ‰), and special rates may be applied depends on the use of the land. In addition, there are several exemptions or reductions in the land value tax regulated by the "Land Tax Act" and "Land Tax Reduction and Exemption Regulations." For example, land that is reserved for public facilities for urban planning purposes but has not been used during the reservation period, and has been segregated from other land being used, is exempt from land value tax.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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**5. House Tax**

In Taiwan, the owner of a house shall pay the house tax in May of every fiscal year. The tax is based on the current value of the house announced by the Real Property Evaluation Committee. The house tax rate varies from one point two percent (1.2%) to five percent (5%) depending on the usage of the house, and the actual rate enforced is decided by the local government. In addition, there are several exemptions for the house tax regulated by the "House Tax Act".

**6. Specifically Selected Goods and Services Tax**

The Specifically Selected Goods and Services Tax Act 2015 of Taiwan (the "**Specifically Selected Goods and Services Tax Act**") imposes taxes on the sale, manufacture, and import of certain goods and services within Taiwan with a ten percent (10%) tax rate, including the following goods and services: (i) any passenger car that, including the driver's seat, has nine (9) seats or less and a selling price or taxable value of NT\$3 million or more; (ii) any yacht at least 30.48 meters long; (iii) any airplane, helicopter, or ultra-light vehicle with a selling price or taxable value of NT\$3 million or more; (iv) any of the turtle shells, hawksbill, coral, ivory, furs, and their products that has a selling price or taxable value of NT\$500,000 or more, excluding those that are not protected species under the Wildlife Conservation Act or products made from them; (v) any furniture with a selling price or taxable value of NT\$500,000 or more; and (vi) any membership right with a selling price of NT\$500,000 or more, but excluding refundable deposit.

A taxpayer must generally submit a declaration form to the tax authority by the 15<sup>th</sup> day of the following month. The tax payable must be paid before submitting the declaration form.

**7. Commodity Tax**

Commodity tax is levied under the Commodity Tax Act 2019 of Taiwan (the "**Commodity Tax Act**") on certain goods, which generally includes rubber tires, cement, beverages, flat glass, oil and gas, electric appliances and vehicles etc., when manufactured domestically or imported from abroad. The taxpayers includes: (i) the manufacturer of commodities produced domestically; (ii) the manufacturer of commodities manufactured under a consignment contract; (iii) the importer or holder of commodities, or bearer of the bill of lading for imported commodities; (iv) the winning bidder, the purchaser, or the assumer of the goods in the case of an auction or sale by a court or other institution of taxable commodities for which the tax has not yet been paid; (v) the person initiating the transfer or the person who changes the



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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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purpose of use of tax-exempt commodities that lose tax-exempt status due to the transfer or change in purpose of use. However, in the event that the transferring party or the party that changes the purpose of use is unknown, the taxpayer is the holder of the goods.

Generally, the tax rate is levied on a specific amount charged on the basis of the quantity of the goods or ranges from eight percent (8%) to thirty percent (30%) on an ad valorem basis depending on the type of the goods and may subject to certain exemptions.

#### **8. Sales of Taiwan shares**

For sales of Taiwan shares where share certificates have been issued, a securities transaction tax of zero point three percent (0.3%) is imposed on the transaction price. The tax is the legal responsibility of the seller, and may be withheld by the buyer on behalf of the seller when the purchase price is paid to ensure payment and a clean title, and the amount can also be allocated among the parties through reimbursement.

Currently, sales of Taiwan shares where share certificates have been issued are exempt from capital gains and income tax, except to the extent that alternative minimum tax (the "AMT") applies. The AMT is a tax that ensures specific taxpayers pay at least a minimum amount of income tax. The AMT recalculates income tax after adding certain tax preference items back into adjusted gross income. Preferential deductions are added back into the taxpayer's income to calculate his/her alternative minimum taxable income, and then the AMT exemption is subtracted to determine the taxable amount. If the regular income tax is greater than the AMT, no special action is required. If the AMT is greater than the regular income tax, taxpayers have to pay income tax in accordance with the AMT.

For an individual, currently the AMT exemption is NT\$6,700,000 and the AMT tax rate is twenty percent (20%). On June 29, 2020, the Ministry of Finance ("MOF"), Taiwan proposed an amendment to the Income Basic Tax Act (i.e. the AMT) and such amendment will include the capital gain from sales of unlisted Taiwan shares where share certificates have been issued into the alternative minimum taxable income for individual and is expected to increase an individual's tax burden when he/she sells his/her unlisted Taiwan shares where share certificates have been issued. Such amendment will only apply to individual taxpayers and will not apply to corporate taxpayers. The amendment will take effect on January 1, 2021, and therefore, it will increase the individual seller's tax burden if the registration of share transfer for the Proposed Acquisition is completed after January 1, 2021.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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### III. Regulations on Repatriation of Profits

According to Article 12 of the Statute for Investment by Foreign Nationals, foreign investor may apply for exchange settlement against the interests accrued or the profit surplus distributed from his/her investment in Taiwan. Therefore, generally a Taiwan company may repatriate profits to its foreign shareholders, unless such right has been terminated by the competent authority due to violations of the relevant regulations such as, amongst others, failing to obtain a prior approval for the foreign investment from the competent authority, investing in prohibited industries, or failing to comply with any obligation mandated by the competent authority.

In Taiwan, foreign exchange control is mainly governed by the Foreign Exchange Regulation Act 2009 of Taiwan (the “**Foreign Exchange Regulation Act**”) and regulated by the MOF and the Central Bank of the Republic of China (Taiwan) (the “**Central Bank**”). Under the Foreign Exchange Regulation Act, the Central Bank is in charge of foreign exchange matters and stipulating the declaration rules, i.e. the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions 2018 (the “**Regulations**”).

Generally, a Taiwan entity shall declare its foreign exchange receipts, disbursements or transactions as required according to the remittance brackets and the natures of relevant transactions according to the Foreign Exchange Regulation Act and the Regulations. It is exempt from declaration for foreign exchange receipts, disbursements or transactions involving less than NT\$500,000 or its equivalent in foreign currency.

In addition, certain types of foreign exchange settlement may not be processed until the bank has confirmed that its foreign exchange declaration document is consistent with relevant contracts and requisite documents, including but not limited to a single remittance by a company with an amount over US\$1 million, and certain types of foreign exchange settlement require a prior approval by the Central Bank, including but not limited to essential remittances by the company whose annual aggregate settlement amount of foreign exchange purchased or sold has exceeded US\$50 million.

Although foreign exchange approvals have been routinely granted in the past, there can be no assurance that in the future any such approvals will be obtained in a timely manner, or at all.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND  
REPATRIATION OF PROFITS OF TAIWAN (CONT'D)**

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LCS**IV. Qualifications**

1. In giving the foregoing opinions, we express no opinion other than as to the laws of Taiwan, and we express no opinion as to any change in or explanation to administrative, judicial or enforcement policy or interpretation relating to any law (including any administrative, judicial or enforcement policy or interpretation relating to the law of Taiwan), which comes into effect after the date hereof.
2. This opinion letter is furnished to the Company by us as the Company's Taiwan counsel and is solely for the Company's benefit. This opinion letter is not to be used, quoted, or otherwise referred to for any other purpose, save that a copy of this opinion letter is permitted to be enclosed in the Circular. This opinion letter covers solely the laws, regulations and rulings of Taiwan as of the date hereof and we shall have no obligation to update this opinion from time to time to reflect any change in or explanation to such laws, regulations, rulings or any changes in administrative, judicial or enforcement policy or interpretation relating thereto.

Sincerely yours,

Tom Hsieh  
LCS & PARTNERS

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA**

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**Expert Report on the Policies of Foreign Investments, Taxation and Repatriation of Profits of the People's Republic of China**

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*Our Ref: JZJGZ/ER/202012001-MIHZ*

14<sup>th</sup> January 2021

**The Board of Directors**

**Mi Technovation Berhad**

No. 20, Medan Bayan Lepas Technoplex  
MK 12, Taman Perindustrian Bayan Lepas  
11900 Bayan Lepas, Pulau Pinang  
Malaysia

**I. INTRODUCTION AND BACKGROUND**

We, JunZeJun Law Offices (Guangzhou), are qualified law firm licensed to practice in the People's Republic of China ("PRC", for the purpose of issuing this Expert Report and any and all other opinions thereafter, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). We're engaged by **Mi Technovation Berhad** (the "**Company**"), duly incorporated under the laws of Malaysia, with its address at No. 20, Medan Bayan Lepas Technoplex, MK 12, Taman Perindustrian Bayan Lepas, 11900 Bayan Lepas, Pulau Pinang, Malaysia, to provide an expert report (the "**Expert Report**") on the PRC's laws and policies in general governing foreign investments, taxation and repatriation of profits from foreign invested entities ("**FIEs**") to their respective shareholders outside of the PRC, including Taiwan, in connection with its proposed acquisition of 21,983,000 common shares in Accurus Scientific Co Ltd (in Chinese, 恆碩科技股份有限公司, the "**Target**"), representing approximately 99% equity interest in Accurus Scientific for a total purchase consideration of approximately NTD1,878,157,550 (equivalent to RM271,012,500) to be satisfied via the allotment and issuance of the 74,250,000 new ordinary shares in the Company ("**Consideration Share(s)**") at an issue price of RM3.65 per Consideration Share ("**Proposed Acquisition**").

The Target is a legal entity duly incorporated in Taiwan, China, which has a wholly-owned subsidiary, Accurus (Ningbo) Scientific Co., Ltd. (in Chinese, 弘碩科技(宁波)有限公司) with registered address at Room 2-4, No. 1-2, Building One, No. 1 Lane 173, Xiapu Road, Xiapu Sub-district, Beilun District, Ningbo, Zhejiang, PRC (浙江省宁波市北仑区霞浦街道霞浦路

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA (CONT'D)**

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173 弄 1 号 1 幢 1-2 号 2-4 室) (the “Ningbo Subsidiary”).

Pursuant to the Malaysian Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), the Company is required to issue a circular to its shareholders (the “**Circular**”) to obtain their approval at an extraordinary general meeting, and this Expert Report should be attached to the Circular.

We have made no investigation of, and express no opinion on, the law of any other jurisdictions than the PRC, nor have we carried out any due diligence for the purpose of this Expert Report. For the avoidance of doubt, nothing contained in this Expert Report shall be taken as our formal legal opinion in any and all aspects, and we express no opinion concerning issues with respect to accounting, financial, insurance, tax, technical, managerial, commercial, or operational matters, nor regarding the adequacy of any insurance coverage in respect thereof, notwithstanding this Expert Report may have covered some of the topics mentioned above.

## II. FOREIGN INVESTMENTS

1. Prior to 2020, there were three major FIE laws corresponding to three types of organizational forms of FIEs, i.e. Law on Wholly Foreign Owned Enterprises (“**WFOE Law**”), Law on Sino-Foreign Equity Joint Ventures (“**EJV Law**”), and Law on Sino-Foreign Contractual Joint Ventures (“**CJV Law**”). Investments from Taiwan, Hong Kong and Macau are deemed cross border investments, subject to the administration of PRC’s foreign investment regime, though they may enjoy certain preferential treatment than other foreign investors. PRC also promulgated a Law on the Protection of Investment by Taiwanese Compatriots (“**Taiwanese Investment Law**”) to encourage and attract investment from Taiwan. As of January 1<sup>st</sup>, 2020, the three FIE laws, i.e., WFOE Law, EJV Law and CJV Law, were replaced by a consolidated Foreign Investment Law while Taiwanese Investment Law is still effective in parallel.
2. Organizational forms of FIEs incorporated prior to 2020 will have a 5-year transition period to keep their present forms while they may also do it earlier to restructure their entity forms pursuant to either the PRC Company Law or the PRC Partnership Enterprise Law.
3. Coping with implementing FIE laws and Foreign Investment Law, PRC had promulgated respective catalogue of segments for encouragement of foreign investment, and catalogue of segments restricted and prohibited from foreign investment, and been amending them from time to time. The *Catalogue of Segments Restricted and Prohibited from Foreign Investments* has been replaced by the **Special Administrative Measures for Foreign Investment (Negative List)**, which is regularly amended, and the scope and content of Negative List has been considerably narrowed down in 2020 Edition. In general, FIEs, including Taiwanese compatriots invested entities, are prohibited from carrying out businesses such as internet content providers, compulsory education institutions, news and press organizations, radio/television station, publication, film production and distribution, etc., amongst others. Most restrictions in manufacturing industry had been removed in the Negative List, and restrictions remain in printing of publications (majority stakeholders must be Mainland Chinese), automobile vehicles production (except for special purpose vehicles, new energy vehicles and commercial vehicles, foreign shareholders may not take more than fifty percent (50%) equity interest), production of confidential prescription products of proprietary Chinese medicines, satellite television broadcasting ground receiving facilities and key components production etc.

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EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA (CONT'D)

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4. According to the Foreign Investment Law, foreign investors and their investments shall enjoy national treatment, and the treatment shall be no less favorable than that granting to domestic investors and their investments, unless falling into the scope of the Negative List. After October 2016, incorporation of FIEs no longer requires an approval certificate (*Approval Certificate for FIEs*, or *Approval Certificate for Enterprise Invested by Taiwan, Hong Kong, Macau or Overseas Chinese Investors*, respectively; in Chinese, 外商投资企业批准证书 or 台港澳侨投资企业批准证书) from the Ministry of Commerce (“MOFCOM”) or its local counterparts before such FIE applies for business license at local company registry (local Administration for Industry and Commerce, “AIC”; now merged into Administration for Market Regulation, “AMR”) if the FIE is not engaged in business falling under the Negative List. Taiwanese compatriots invested entities which are not engaged in business under the Negative List shall follow the same procedure at AMR as other FIEs.

### III. TAXATION

We summarize below information of PRC’s tax system pursuant to applicable laws and regulations which may be relevant to the Ningbo Subsidiary. The Company may seek tax advisor’s comments further if in-depth information is needed.

#### 1. Corporate Income Tax

Income tax rate for corporate is 25%, except for qualified small profit enterprises (at the rate of 20%), and key advanced and new technology enterprises (at the rate of 15%). The taxable amount of income of an enterprise shall be the total income of the enterprise in each tax year less non-taxable income, tax-exempt income, various deductions and permitted amount of losses in previous years made good.

Sole proprietorship enterprises and partnership enterprises do not pay corporate income tax.

#### 2. Business Tax

Since 2017, business tax has been merged with value added tax, and business tax is no longer levied since then.

#### 3. Value-Added Tax (VAT)

The Provisional Regulations on Value-added Tax (the “VAT Regulations”) was adopted on December 13, 1993 and last revised in 2017 by the State Council. For enterprises and individuals engaged in sale of goods or processing repair and assembly services, sale of services, intangible assets, importation of goods into China shall pay VAT at various rates as follows according to VAT Regulations:

- a) 17% for sale of goods, providing labor services, lease of tangible movables or importation of goods (according to announcement jointly made by Ministry of Finance, State Taxation Administration and General Administration of Customs on Deepening Reformation of VAT Policy, this rate has been further reduced to **thirteen percent (13%)**);
- b) 11% for sale of transportation, postal, basic telecommunications, construction, lease of immovable, sale of immovable, transfer of land use rights, sale or importation of goods specified in the VAT Regulations or by the State Council (foodstuff,

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA (CONT'D)**

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agricultural products, public utilities, publications, and agricultural machinery, fertilizers, etc.) (according to announcement jointly made by Ministry of Finance, State Taxation Administration and General Administration of Customs on Deepening Reformation of VAT Policy, this rate has been further reduced to **nine percent (9%)**);

- c) 6% for sale of services and intangible assets except categories specified otherwise in the VAT Regulations.
- d) 3% for small business entities whose annual turnover is less than RMB five (5) million yuan.

#### **4. Withholding Tax for Non-residents**

- a) For non-resident enterprises who have no presence in PRC, or, if there is presence, the income derived or accrued has no connection with such presence, corporate income tax shall be payable by the non-resident enterprise for income derived from or accrued in PRC, including license fees, royalties, income from sales of goods/services, profits and dividends attributable to such non-resident enterprises.
- b) Withholding tax rate is 20% for non-resident enterprises under the Corporate Income Tax Law, and in practice, withholding tax is collected at the reduced rate of 10% according to the Implementation Regulations of the Corporate Income Tax Law.
- c) In 2015, Taiwan and Mainland China has signed an agreement on the avoidance of double taxation and the enhancement of tax cooperation, which further reduces the withholding tax rate for dividends attributable to non-resident shareholders to 5% (provided that, eligible beneficiaries are corporate entities which directly hold more than 25% of equity interests of the entity that distributes the dividends) and, for royalties, to 7%. As far as we know, however, this cross-strait tax agreement has yet become effective, which is conditional to approval process of both sides, and as of the date of this Expert Report, there is no indication of effective date.

#### **5. Withholding Tax and Social Security Funds for Employees**

Enterprises are obliged to withhold and deduct individual income tax for its employees and individuals who receive salary, compensation and remunerations from such enterprises. Besides, enterprises shall pay extra portion of its contribution to social security funds and housing fund for employees, which in sum may account 20-30% (varying from city to city) in average over employees' total salary, according to national and local policies.

#### **6. Transfer Pricing**

PRC has transfer pricing rules provided in various laws and regulations, and tax authorities have power to investigate and make adjustments based on reasonable methods where reductions are made to the taxable income or the amount of income of the enterprise or its connected parties, when business deals between an enterprise and its connected parties fail to comply with the independent transaction principle.

#### **7. Common Reporting Standard ("CRS")**

As of September 2018, the State Taxation Administration ("STA") of PRC has started exchanging bank account information of non-residential taxpayers with nations implementing CRS who also share bank account information of PRC residential taxpayers with STA.

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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA (CONT'D)**

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**8. Other Miscellaneous Taxes Which May Be Applicable**

- a) Tax for the Use of Urban Lands: rate varies from RMB0.6 to RMB30 per square meter per year.
- b) Stamp Duty: at rate of 0.03% or 0.05% over the transactional amount, or RMB five (5) yuan per stamp, subject to the nature of deeds.
- c) Environmental Protection Tax: enterprises emitting taxable pollutants shall pay at various rates, depending on the amount and types of emitted pollutants.
- d) Urban Maintenance and Construction Tax: at the rate of 1%, 5% or 7%, depending on the location of taxpayers, over the sum of payable VAT and consumption tax.
- e) Educational Surtax: at the rate of 3% over the sum of payable VAT and consumption tax.
- f) Local Educational Surtax: at the rate of 2% over the sum of payable VAT and consumption tax.
- g) Consumption Tax levied on luxury items, tobacco, cigarettes and alcohol beverages, etc.
- h) Deed Tax (3-5% over transactional prices of real estate) and Land Appreciation Tax (at progressive rate of 30%, 40%, 50% and 60%, respectively).

**IV. REPATRIATION OF PROFITS**

1. According to Foreign Investment Law, Taiwanese Investment Law, PRC Company Law and Corporate Income Tax Law, FIEs are allowed to repatriate incomes out of sales of goods or services, income from royalties, dividends and/or profits attributable to its shareholders outside of PRC by satisfying the following procedures:
  - a) For sales of goods or services, and royalties, 10% withholding tax has been deducted from the amount of payable.
  - b) For distribution of dividends to shareholders outside of PRC,
    - i. The FIE has made up for losses in previous years, if any, until the losses of previous years have been fully made up;
    - ii. The FIE has contributed 10% of the profits into their statutory surplus reserve before distributing their post-tax profits of the current year, unless the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital (where the balance of the statutory surplus reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory surplus reserve);
    - iii. The FIE has paid applicable corporate income tax (usually collected by local tax authority), and the applicable tax rate is 25% (if not being recognized as high and new technology enterprise);
    - iv. The FIE has duly adopted board of directors' resolution to distribute profits and dividends pursuant to audited financial statements by certified accountants; and
    - v. The FIE has duly deducted withholding tax (at the rate of 10%) for overseas shareholders of FIEs from such dividends or profits to be repatriated.



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**EXPERT'S REPORT ON POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF CHINA (CONT'D)**

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 **君泽君律师事务所**  
JunZeJun Law Offices

2. PRC exerts foreign exchange (“forex”) control measures over capital account, and repatriation of income and profits shall go through a forex clearance process primarily dealing with the bank which maintains forex account for the FIE. The forex clearance process is irrelevant to the threshold of amount of the repatriated profits. In practice, the timeframe of forex clearance may differ from place to place, subject to the FIE’s scale, amount of profits and deposit, and frequency of repatriation, etc., all of which factors may be taken into account by the forex administration when examining the repatriated profits.

Yours sincerely

**JunZeJun Law Offices (Guangzhou)**



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Zeng Fei  
Principal Counsel

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