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## REGULATORY OVERVIEW

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### PRC

Below sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our Shareholders to receive dividends and other distribution from us.

### Foreign Investment

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated in 1993 and most recently amended on October 26, 2018. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to any direct or indirect investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) other forms of investments as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the negative list. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the negative list. The Foreign Investment Law provides that foreign investors shall not invest in the “prohibited” industries, and shall meet certain requirements as stipulated under the negative list for making investment in “restricted” industries. On December 27, 2021, MOFCOM and NDRC

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## REGULATORY OVERVIEW

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promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》), or the Negative List (2021), which became effective on January 1, 2022.

On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was effect on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments.

The NDRC and MOFCOM jointly promulgated the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), or the Security Review Measures on the Foreign Investment on December 19, 2020, which came into effect on January 18, 2021. Pursuant to the Security Review Measures on the Foreign Investment, the NDRC and MOFCOM will establish a working mechanism office in charge of the security review of foreign investment, and any foreign investment which has or would possibly have an impact on the national security shall be subject to security review by such working mechanism office. The Security Review Measures on the Foreign Investment define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. It further require that foreign investors or their domestic affiliates to apply for clearance of national security review with the working mechanism office before they conduct any investment into any of the following fields: (i) investment in the military industry or military-related industry or other areas related to national defense and security, and investment in areas in proximity of defense facilities or military establishment; and (ii) investment in any important agricultural product, important energy and resources, critical equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technologies and internet products and services, important financial services, critical technologies and other important fields which concern the national security where actual control over the invested enterprise is obtained.

### **International Freight Forwarding**

Pursuant to the Regulations of the People's Republic of China on Managements of International Freight Forwarders (《中華人民共和國國際貨物運輸代理業管理規定》), which was promulgated by the Ministry of Foreign Trade & Economic Cooperation (“MOFTEC”, replaced by the Ministry of Commerce) on June 29, 1995, and the Detailed Rules for the Implementation of the

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## REGULATORY OVERVIEW

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Regulations of the People’s Republic of China on the Administration of the International Freight Forwarding Industry (《中華人民共和國國際貨物運輸代理業管理規定實施細則》) which was promulgated by the MOFCOM on January 1, 2004, the international freight forwarders referred to in the regulations mean those trades entrusted by consignors and consignees of exports and imports conduct international freight forward and related businesses for their clients and collect enumerations for their services in their own names or in the name of their consignors. International freight forwarders must obtain the status of a legal body as an enterprise of the People’s Republic of China according to law. According to the characteristics of the trade the establishment of an international freight forwarder must acquire the following conditions: (1) It has competent professional to engage in international freight forwarding; (2) It has a fixed site for business and necessary facilities; (3) It has stable sources of and markets for exports and imports.

Pursuant to the (Interim) Measures for the Archival Filing of International Freight Forwarders (《國際貨運代理企業備案(暫行)辦法》), which was promulgated by the MOFCOM on March 2, 2005 and lastly amended on August 18, 2016, all international freight forwarders and their branches (hereinafter referred to as international freight forwarders) that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the Ministry of Commerce or an organ entrusted by the Ministry of Commerce.

### **Freight Transportation**

Pursuant to the Provisions on the Administration of Road Freight Transport and Stations (《道路貨物運輸及站場管理規定》), which was promulgated by the Ministry of Transport on June 16, 2005 and lastly amended on November 10, 2023, applicants for engaging in freight forwarding (agency) and other freight related services shall file an application with the local road transportation administrative body after completing relevant registration procedures with the market regulation authority according to law.

### **NVOCC Business**

According to the Regulations of the People’s Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例》), which was promulgated by the State Council on December 11, 2001 and lastly amended on July 20, 2023, and Detailed Rules for the Implementation of the Regulations of the People’s Republic of China on International Maritime Transportation (《中華人民共和國國際海運條例實施細則》) which was promulgated by the Ministry of Transport on January 20, 2003 and lastly amended on November 10, 2023, the “non-vessel shipping business” refers to the international ocean shipping business operations of a non-vessel shipping operator to accept the cargo of the shipper as the carrier, take the freight

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## REGULATORY OVERVIEW

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charges from the shipper by issuing his own bills of lading or other transport documents, ship the international ocean goods through international shipping operators and bear the responsibilities of the carrier.

To operate non-vessel shipping business within the territory of China, the non-vessel shipping operator shall establish an enterprise with legal status within the territory of China according to law, file with the competent department of transport under the people's government of the province, autonomous region or municipality directly under the central government for record within 15 days after starting business.

If any business operator fails to complete the filing formalities as required by the applicable laws and regulations, the competent department of transport of the State Council or the competent department of transport under the people's government of the province, autonomous region or municipality directly under the central government shall order it to make up the filing formalities within a prescribed time limit; if it fails to do so within the prescribed time limit, a fine of no less than RMB 10,000 but no more than RMB 50,000 shall be imposed on it, and its corresponding qualifications shall be canceled.

### **House Leasing**

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, landlords and tenants are required to enter into lease contracts which should generally contain specified provisions, and lease contracts should be registered with the construction (real estate) authorities at municipal or county level where the leased property located within 30 days after its conclusion. If the landlords and tenants fail to go through the registration procedures, both landlords and tenants may be subject to fines. Where the provisions of these measures are violated, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order the violators to make corrections within a specified time limit. Where the individual failed to make correction within the stipulated period, a fine of not more than RMB1,000 shall be imposed; where the organization failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

### **Overseas Offering and Listings**

On February 17, 2023, with the approval of the State Council, CSRC, released the Overseas Listing Trial Measures and five supporting guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, (1) domestic companies that seek to offer or list

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## REGULATORY OVERVIEW

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securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company (recognition with the principle of substance over form): (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (b) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes such application, in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

The Overseas Listing Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events (the "**Material Events**") after the Overseas Offering and Listing. The issuer shall submit a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant Material Event, including (1) changes in the controlling rights; (2) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (3) changing listing status or changing the listing board; and (4) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within three working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations, and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (1) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and

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## REGULATORY OVERVIEW

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applicable provisions; and (2) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data.

In addition, the Overseas Listing Trial Measures provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including the following situations: (1) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarify that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), and which are not required to re-perform such regulatory procedures, but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements; and (3) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.



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## REGULATORY OVERVIEW

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Furthermore, on February 24, 2023, the CSRC, Ministry of Finance, National Administration of State Secrets Protection (國家保密局) and National Archives Administration of China (中華人民共和國國家檔案局) released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), and which are not, which aims to expand the applicable scope of the regulation to indirect overseas offerings and listings by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas offerings and listings. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets, state agencies' work secrets or have an adverse impact on the national security or public interests, the domestic company shall complete the relevant filing and/or approval and other regulatory procedures.

### M&A

On August 8, 2006, the MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the SAIC (currently known as the SAMR), the CSRC, and the SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which were amended by the MOFCOM on June 22, 2009. The M&A Rules require in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (1) the transaction involves an important industry in China, (2) the transaction may affect national economic security, or (3) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A Rules, among other things, also require that (1) PRC entities or individuals obtain MOFCOM approval before they establish or control an SPV overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV, or Share Swap, and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (2) the SPV obtains MOFCOM's approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (3) the SPV obtains CSRC approval before it lists overseas.

The M&A Rules further require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council, are triggered. Moreover, the Anti-Monopoly Law promulgated by the SCNPC requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds be cleared by the MOFCOM before they can be completed.

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## REGULATORY OVERVIEW

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On July 6, 2021, General Office of the State Council of the PRC together with another authority jointly promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, or the Securities Activities Opinions, which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

### Foreign Currency Exchange

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》) (the “**Administrative Regulations on Foreign Exchange**”), promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last amended on August 5, 2008, Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular No. 59**”) promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Circular No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

On March 30, 2015, SAFE promulgated the Circular 19 which was effective on June 1, 2015 and amended on December 30, 2019 and March 23, 2023. SAFE further promulgated the Circular 16 on June 9, 2016 and amended the Circular 16 on December 4, 2023, which, among other things, amends certain provisions of the Circular 19. According to the Circular 19 and the Circular 16, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals and foreign debts from foreign currency into Renminbi on a discretionary basis, and the flow and use of the Renminbi capital converted from foreign currency denominated registered capital or foreign debt of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the Circular 19 or Circular 16 could result in administrative penalties.



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## REGULATORY OVERVIEW

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In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《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》) in May 2013, which was amended on October 10, 2018 and December 30, 2019, and specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, SAFE promulgated Notice of SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”) which became effective on June 1, 2015 and was amended on December 30, 2019. The Circular 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

On January 26, 2017, SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**Circular 3**”) which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to the Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE issued Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended by Circular Regarding Further Deepening the Reform to Promote the Facilitation Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued on December 4, 2023 pursuant to which all foreign-invested enterprises can make domestic equity investments with their capital funds in accordance with the applicable laws.

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## REGULATORY OVERVIEW

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Regarding the regulation of foreign exchange current account items, Administrative Regulations on Foreign Exchange stipulates that the foreign exchange receipts and payments under current account items shall be based on true and legitimate transactions, and financial institutions engaging in conversion and sale of foreign currencies shall, pursuant to the provisions of the foreign exchange control department of the State Council, carry out reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments.

### *Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents*

On July 4, 2014, SAFE promulgated the Circular on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) for the purposes of simplifying the approval process, and for the promotion of the cross-border investment. The Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (1) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (an “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, PRC resident must update his or her SAFE registration when the Overseas SPV undergoes Material Events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Pursuant to Circular 13, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

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## REGULATORY OVERVIEW

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### Outbound Investments by Enterprises

Pursuant to the Administrative Measures on Outbound Investments (《境外投資管理辦法》), which was promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and effective on October 6, 2014, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall carry out the administration of overseas investments of enterprises through the overseas investment administration system (境外投資管理系統), and issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises (《企業境外投資證書》).

Pursuant to the Administrative Measures for the Outbound Investments by Enterprises (《企業境外投資管理辦法》) (the “**Enterprise Outbound Investments Measures**”) which was promulgated by the NDRC on December 26, 2017, and became effective on March 1, 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors.

### Intellectual Property

#### *Copyright and Software Product*

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and lastly amended on November 11, 2020, and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and lastly amended on March 1, 2013, the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) which were promulgated by the State Council and effective on October 1, 1991 and lastly amended on January 30, 2013, the National Copyright Administration of China issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration. And the Copyright Protection Center of China, or the CPCC is designated as the software registration

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## REGULATORY OVERVIEW

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authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations.

### *Trademark*

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982 and lastly amended on April 23, 2019, and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. Trademarks are registered with the Trademark office of National Intellectual Property Administration under the SAMR, formerly the Trademark Office of the SAMR. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

### *Patent*

According to the Patent Law of the PRC (《中華人民共和國專利法》) which were promulgated by the SCNPC on March 12, 1984 and lastly amended on October 17, 2020 and the revised version of which became effective on June 1, 2021 and the Implementation Regulation of the PRC Patent Law (《中華人民共和國專利法實施細則》) which were promulgated by the State Council on June 15, 2001, lastly amended on December 11, 2023 and became effective on January 20, 2024, the China National Intellectual Property Administration (the “CNIPA”) is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention,” “utility model” and “design.” Invention patents, design patents and utility model patents are valid respectively for 20 years, 15 years and 10 years, from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

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## REGULATORY OVERVIEW

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### *Domain Name*

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) which were promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017 and the Implementing Rules on the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) which were promulgated by China Internet Network Information Center and effective on June 18, 2019. Domain name owners are required to register their domain names, and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

### **Tax**

#### *Enterprise Income Tax*

Pursuant to the EIT Law, which was promulgated by SCNPC on March 16, 2007, effective on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and the Implementation Rules on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, and effective on January 1, 2008, and amended on April 23, 2019, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) which were promulgated by Ministry of Science and Technology, Ministry of Finance (the “MOF”) and the SAT on January 29, 2016 and effective on January 1, 2016, the Certificate of a High and New Technology Enterprise is valid for three years.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by SAT on April 22, 2009, took effect on January 1, 2008, and amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

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## REGULATORY OVERVIEW

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On July 27, 2011, the SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which came into effect on September 1, 2011 and was last amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Double Tax Avoidance Arrangement promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) which was promulgated and effective on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Circular 9 which was issued on February 3, 2018 by the SAT and effective on April 1, 2018 describes factors in favor of and factors not conducive to the determination of an applicant's status as a “beneficial owner.”

The Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Bulletin 7**”) issued by the SAT on February 3, 2015 and last amended on December 29, 2017, extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT



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## REGULATORY OVERVIEW

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Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market.

The Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Bulletin 37**”) issued by the SAT on October 17, 2017 and amended on June 15, 2018, further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

According to the EIT Law, the EIT Implementation Rules (the “**EITIR**”), Law of the PRC Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and Detailed Rules for the Implementation of the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》), related party transactions should comply with the arm’s length principle and if the related party transactions fail to comply with the arm’s length principle and results in the reduction of the enterprise’s taxable income, the tax authority are entitled to make a special adjustment within 10 years from the taxpaying year when the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form\* (年度關聯業務往來報告表) to the tax authority.

### *Value-added Tax and Business Tax*

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

On November 16, 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value- Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). According to the Proposal, the general VAT calculation method will in principle apply to the transportation industry, the construction industry, the post and telecommunication industry, the modern service industry, the culture and sports industry, and the sale of real property and the transfer of intangible assets.

In March 2016, the MOF and the SAT jointly issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was further amended on July 11, 2017, December 25, 2017 and March 20, 2019. Upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a

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## REGULATORY OVERVIEW

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comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the construction industry, the real estate industry, the financial industry, etc. shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Provisional Regulation on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10 2008, February 6, 2016, and November 19, 2017, and the Detailed Implementation Rules of the Provisional Regulation of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”), all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. Unless provided otherwise, for general VAT taxpayers selling services and intangible assets, the value-added tax rate is 6%.

On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (the “**Circular 32**”) according to which, (1) for VAT taxable sales or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (2) for purchase of agricultural products originally subject to deduction rate of 11%, such deduction rate shall be adjusted to 10%; (3) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, the input VAT will be calculated at a 12% deduction rate; (4) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (5) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede any previously existing provisions in the case of any inconsistency.

Further, On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the “**Announcement 39**”) to further slash value-added tax rates. According to the Announcement 39, (1) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (2) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (3) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (4) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (5) for the exportation of goods or cross-border

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## REGULATORY OVERVIEW

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taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

### Dividend Withholding Tax

Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income derived has no actual connection with such organization or establishment in the PRC, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Double Tax Avoidance Arrangement, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (the “**Circular 81**”), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發布〈非居民納稅人享受協定待遇管理辦法〉的公告》) (the “**SAT Circular 35**”) on October 14, 2019, which became effective on January 1, 2020. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular 9, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. The Circular 9 further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits.

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## REGULATORY OVERVIEW

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### **Employment and Social Welfare**

#### *The Labor Contract Law*

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) which was promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) which were promulgated by the State Council and effective on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

#### *Social Insurance and Housing Fund*

Under PRC laws, rules and regulations, including the Social Insurance Law (《中華人民共和國社會保險法》) which was promulgated by the State Council on October 28, 2010, effective on July 1, 2011 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) which were promulgated by the State Council and effective on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) which were promulgated by the State Council, effective on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

### **Cybersecurity, Information Security, Privacy and Data**

According to Decision of the SCNPC on Preserving Computer Network Security (《全國人大常委會關於維護互聯網安全的決定》) adopted on December 28, 2000 and amended on August 27, 2009, anyone commits crimes through internet, like spreading computer viruses to attack the computer system and the communications network, making use of the internet to spread rumors, libels to split the country and undermine unification of the State, infringing on citizens' freedom and privacy of correspondence, shall be subject to criminal responsibility.

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## REGULATORY OVERVIEW

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On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which took effect on 1 March 2006. These regulations require Internet service providers to adopt proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records.

Pursuant to the Ninth Amendment to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 and came into effect on November 1, 2015, any network service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), which came into effect on June 1, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens' personal information” stipulated by Article 253A of the PRC Criminal Law (《中華人民共和國刑法》), including “citizens' personal information”, “violation of relevant national provisions”, “provision of citizens' personal information” and “illegally obtaining any citizens' personal information by other methods”. In addition, the Interpretations specifies the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, provides that China adopts a multi-level protection scheme, under which a network operator is required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests

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## REGULATORY OVERVIEW

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of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on November 1, 2019, and further clarifies the meaning of internet service operators and the serious circumstance of the relevant crimes. Failure to comply with the above laws and regulations regarding cybersecurity, information security, privacy and data protection may subject the internet service providers or data handlers to administrative penalties including, without limitation, warnings, fines, suspension of business operation, shut-down of websites or apps, revocation of licenses and even criminal liabilities.

On 28 May 2020, the National People's Congress of the People's Republic of China (the "NPC") promulgated the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide, or make public personal information of others.

The PRC Data Security Law (《中華人民共和國數據安全法》) (the "**Data Security Law**") was promulgated by the SCNPC on June 10, 2021, and came into effect on September 1, 2021. The Data Security Law requires the data handler to establish and improve a whole-process data security management system, organize data security education and training, and adopt corresponding technical measures and other necessary measures to safeguard data security. Any violation of the provisions and requirements under the Data Security Law may subject a data handler to rectifications, warnings, fines, suspension of the related business, revocation of licenses or even criminal liabilities.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the Cyberspace Administration of China ("CAC") and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of



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## REGULATORY OVERVIEW

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network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall adopt measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

The PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated by the SCNPC on August 20, 2021 and came into effect on November 1, 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information handler to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Cyber Data Security Draft**”) was proposed by the CAC for public comments until December 13, 2022. The Cyber Data Security Draft reiterates that data handlers which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the Cyber Data Security Draft further requires the data handlers that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data handler in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. However, the Cyber Data Security Draft provides no further explanation or interpretation as to how to determine what “may affect national security”. As of the

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## REGULATORY OVERVIEW

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date of this Listing Document, there is no schedule as to when the Cyber Data Security Draft will be enacted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

Pursuant to the Measures for the Security Assessment of Outbound Data (《數據出境安全評估辦法》), which were promulgated on July 7, 2022, and came into effect on September 1, 2022 by the CAC, to provide data abroad, a data handler falling under any of the following circumstances shall, through the local cyberspace administration at the provincial level, apply to CAC for security assessment of outbound data: (i) where a data handler provides critical data abroad; (ii) where a critical infrastructure operator or a data handler processing the personal information of more than one million people provides personal information abroad; (iii) where a data handler has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which application for security assessment for outbound data transfers is required.

The MITT promulgated the “Measures for Data Security Management in the Industrial and Information Technology Sector (Trial)” 《工業和信息化領域數據安全管理辦法(試行)》 (the “**Measures for Data Security Management**”) on December 8, 2022, which came into effect on January 1, 2023. The Measures for Data Security Management stipulate that industrial and telecoms data handlers shall implement hierarchical management of industrial and telecoms data, which will be classified into three levels according to the relevant regulations: general data, important data and core data. The Measures for Data Security Management also stipulate certain obligations of industrial and telecoms data handlers in relation to the implementation of data security systems, key management, data collection, data storage, data usage, data transmission, data provision, data disclosure, data destruction, security audits and contingency planning.

### HONG KONG

#### Import and Export

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**IEO**”) provides for the regulation and control of the import and export of articles into and from Hong Kong, along with the handling and carriage of such articles.

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## REGULATORY OVERVIEW

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Under Section 6C of the IEO, no person shall import any article prescribed in Schedule 1 of the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (the “**IER**”) except under and in accordance with an import license. Under Section 6D of the IEO, no person shall export any article specified in the second column of Schedule 2 of the IER except under and in accordance with an export license issued by the Director-General of Trade and Industry. Such import and export licenses are issued under Section 3 of the IEO.

Under Regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), any person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specified body with the Commissioner of Customs and Excise (the “**Commissioner**”). Exempted articles include transshipment cargo, transit cargo, articles for personal use or gifts. The declaration must follow the requirements that the Commissioner may specify and lodged within 14 days of such import or export. Any person who is required to lodge an import or export declaration but fails to do so without reasonable excuse shall be liable on summary conviction to a fine of HK\$2,000, and, commencing on the day following the date of conviction, to a fine of HK\$100 in respect of every day the declaration is still not lodged.

### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Competition Ordinance came into force on 14 December 2015. It prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong through the first and second conduct rule applying to all sectors and mergers rule which prohibits anti-competitive mergers and acquisitions involving carrier licensees under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect of preventing, restricting or distorting of competition in Hong Kong. The second conduct rule prohibits a business with substantial market power from abusing that power by engaging in conduct that has as its object or effect of preventing, restricting or distorting of competition in Hong Kong.

Upon breach, the Competition Tribunal may impose penalties including pecuniary penalties, awards of damages, disqualification orders, prohibition orders and other orders on the offenders. If a pecuniary penalty is to be imposed, the maximum amount of such pecuniary penalty imposed is 10% of the turnover of the company concerned for up to three years in which the contravention occurs.

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## REGULATORY OVERVIEW

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### Tax

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The IRO 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 for a year of assessment commencing on or after 1 April 2018, at the rate of 8.25% on any part of assessable profits up to HK\$2,000,000, and that of 16.5% on any part of assessable profits over HK\$2,000,000 for corporate taxpayers. The IRO 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.

### Transfer Pricing

Section 20A of the IRO gives the Inland Revenue Department of Hong Kong (the “**IRD**”) a wide range of powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1) and 17(1)(b) of the IRO and may also make additional assessments under section 60 of the IRO. The IRD may also challenge the entire arrangement under general anti-avoidance provisions according to sections 61 and 61A of the IRO.

The Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”) codifies the transfer pricing principles in relation to how the pricing for the supply of goods and services between associated parties should be determined and implemented, including, amongst others, the arm’s length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident person, and the three-tier transfer pricing documentation relating to the master file, local file and country-by-country reporting. Departmental Interpretation and Practice Notes Nos. 45, 46, 48, 58, 59 and 60 issued by IRD set out its interpretations and practices in relation to transfer pricing and related issues.

Pursuant to the Amendment Ordinance, a person who have a Hong Kong tax advantage if taxed on the basis of a non-arm’s length provision (“**advantaged person**”) will have income adjusted upwards or loss adjusted downwards. Section 50AAF of the IRO stipulates that the advantaged person’s income or loss is to be computed as if arm’s length provision had been made or imposed instead of the actual provision. If the advantaged person fails to prove to the satisfaction of the assessor of the IRD that the person’s income or loss as stated in the person’s tax return is the arm’s length amount, the assessor of the IRD must estimate an amount as the arm’s

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## REGULATORY OVERVIEW

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length amount and, taking into account the estimated amount (a) make an assessment or additional assessment on the person; or (b) issue a computation of loss, or revise a computation of loss resulting in a smaller amount of computed loss, in respect of that person.

In this regard, we have engaged an independent transfer pricing consultant, (the “**Transfer Pricing Consultant**”), which is an international professional accounting firm, to review our transfer pricing arrangements from an arm’s length compliance perspective. Our Transfer Pricing Consultant is of the view that the related party transactions are conducted on arms’ length basis and as a result, did not appear to create any challenge by the relevant tax authorities in our transfer pricing policy for the relevant years from the respective regulatory framework perspective.

Part 9A of the IRO sets out the statutory provisions in relation to requisite transfer pricing documentation in Hong Kong, which require the preparation of country-by-country report, master file and local file if the Group meets certain thresholds.

In terms of country-by-country report obligation, our Group is currently below the threshold for reporting requirement. Further, our Group should not have master file or local file obligation in Hong Kong during the Track Record Period as the Hong Kong subsidiaries fall below the thresholds in terms of revenue, assets and number of employees. Our Group will comply with such obligations when they become applicable.

### UNITED STATES

#### Foreign Investments

Foreign companies may directly invest in U.S. businesses and companies.

#### Employment

In certain states of the United States in which the U.S. entity have employees, the general rule is of employment at-will. Generally, absent a written employment contract to the contrary, an employee’s period of employment and/or other terms and conditions of employment can be terminated or modified at any time, for any reason or no reason (as long as such reason is not one of discrimination, harassment, retaliation, or other prohibited reason), with or without advanced notice. Absent a written employment contract to the contrary, severance pay is also not required by applicable federal or state laws.

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## REGULATORY OVERVIEW

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In the United States, certain employment laws also regulate other aspects of the employer-employee relationship and workplace activities. Federal, state and local laws often differ, with many state and local rules adding more stringent and employee-friendly requirements beyond those required under federal law. Among the aspects of the employer-employee relationship subject to applicable law are hours of work, minimum wages, worker classification, overtime wages for exceeding a set number of hours per week, immigration, equal employment opportunity and fair employment practices, prohibitions against discrimination, harassment, and retaliation, equal pay, employee benefits, mass layoffs, leave entitlements, collective bargaining, occupational safety and health, workers' compensation, unemployment benefits, and affirmative action. Key federal agencies responsible for the enforcement of these laws include the United States Department of Labor (“**DOL**”), the Equal Employment Opportunity Commission (“**EEOC**”), the National Labor Relations Board (“**NLRB**”), and the Immigration and Customs Enforcement (“**ICE**”) division of the Department of Homeland Security. Among the major such laws are:

- **Wage and Hour Laws.** The federal Fair Labor Standards Act of 1938 (“**FLSA**”) establishes standards for minimum wages, overtime, child labor, and employer recordkeeping. FLSA does not limit an employee’s work hours, but it does require covered workers who work more than forty (40) hours in a week to be paid at least 1½ times the regular rate of pay for hours worked in excess of 40 hours per week. Several states, such as California, set additional minimum wage, overtime, and double time requirements, and other conditions of employment, such as mandatory and timely meal periods and rest breaks, that exceed the federal standards. Likewise, New Jersey has also set a higher minimum wage for most employees.
- **Discrimination, Harassment, Retaliation, and Related Laws.** Title VII of the Civil Rights Act of 1964 (“**Title VII**”), along with several other similar federal laws enforced by the EEOC and the regulations adopted pursuant to those laws, protect employees from unlawful discrimination, harassment, and/or retaliation by covered employers based on legally protected classes such as race, color, sex, pregnancy or pregnancy-related conditions, religion, national origin, age, protected disability, or genetic information. States such as California and New Jersey additionally prohibit discrimination on the basis of sexual orientation, gender identity, gender expression, marital status, military or veteran status, and other characteristics. The federal Equal Pay Act of 1963 (“**EPA**”) makes it illegal to pay different wages to men and women if they perform equal work as deemed equal under the law in the same workplace. Many of these laws also make it illegal to retaliate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit. Several states also set their own legally protected classes and other protections that may mirror or exceed the federal standards.



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## REGULATORY OVERVIEW

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- **Unpaid/Paid Leave Periods.** Employers who are covered by the federal Family and Medical Leave Act of 1993 (“**FMLA**”) or a state-law equivalent of the FMLA, including companies with 50 or more employees, are required to provide up to 12 weeks of unpaid, job-protected leave to eligible employees for the birth or adoption of a child or for the serious illness of the employee or a spouse, child or parent, or other qualifying events. Some states in which our Company has employees may have different requirements pertaining to FMLA, paid sick, or school-related parental leave for employees who are eligible for such leave or benefits. Many states also grant additional paid and unpaid job-protected leave for eligible employees experiencing pregnancy disability, childbirth or new child bonding, or related medical conditions.
- **Occupational Health and Safety.** The Occupational Safety and Health Act of 1970 (“**OSHA**”) and similar statutes and regulations adopted by the states and other local entities that concern occupational health and safety. For instance, California has enacted additional state-wide OSHA statutes and regulations that expand on federal OSHA requirements.
- **Collective Bargaining Laws.** The federal National Labor Relations Act of 1935 (“**NLRA**”) states and defines the rights of employees to organize and to bargain collectively with their employers through representatives of their own choosing or not to do so. To ensure that employees can freely choose their own representatives for the purpose of collective bargaining, or choose not to be represented, the NLRA establishes a procedure by which employees can exercise rights under the NLRA or establish workplace unions. Further, to protect the rights of employees and employers, and to prevent labor disputes that would adversely affect the rights of the public, the NLRA defines and prohibits certain practices of employers and unions as unfair labor practices.
- **U.S. Employment Eligibility Verification Laws.** The Immigration Reform and Control Act of 1986 (“**IRCA**”) prohibits covered employers from hiring or referring individuals who are not legally authorized to work in the United States. Employers are also required to verify and document the identity and employment authorization of new employees, and make all job offers contingent on such verification.
- **Layoffs/Plant Closings.** Employers who are covered by the federal Worker Adjustment and Retraining Notification Act of 1988 (“**WARN**”), generally those with 100 or more employees, or state-law equivalents of the WARN Act may be required to provide employees with early warning of impending layoffs or plant closings, in some cases, with sixty (60) days’ advance notice of such qualifying events.

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## REGULATORY OVERVIEW

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- **Workers' Compensation for Job-Related Injuries.** There is no federal law applicable to private employers which mandates compensation paid to employees for job-related injuries or illnesses. States have adopted their own workers' compensation programs which may require employers to provide job modifications or alternative assignments, wage or income replacement benefits, or other payments for job-related injuries, illnesses, or death.
- **Benefit Plans.** The federal Employee Retirement Income Security Act of 1974 ("ERISA") regulates employers who offer pension or welfare benefit plans for their employees.
- **Affordable Care Act and Employer Mandates.** Under the Affordable Act ("ACA"), as of 2015, certain employers may be assessed penalties for failing to offer minimum essential coverage to full-time employees and their dependents, or for offering eligible employer-sponsored coverage that is not affordable or does not provide minimum value, as defined under implementing guidance. Under the ACA, employers subject to the employer mandate (those that employed, on average, at least 50 full-time employees on business days during the prior year) must report detailed information to the IRS concerning whether they offered coverage to employees, and, if so, additional information about the coverage.

### Tax

- **Income Taxes.** The U.S. entity will be subject to U.S. federal income tax on their worldwide income. They will also be subject to, and required to file income tax returns, in the states where they operate. This will most certainly include California and New Jersey but may also include other states. Currently, corporations are taxed at a rate of 21% for U.S. federal income tax purposes. State tax rates vary, but taxes paid to states for taxes are deductible for U.S. federal income tax purposes. As U.S. corporations, the U.S. entity will be required to file a Form 1120 (either separately, or potentially collectively) annually. U.S. entity that is owned by a non-US owner, in certain years depending on intercompany transactions, may also need to file Forms 5472 to be included with the Form(s) 1120. In addition, the U.S. entity will have withholding requirements, at both a U.S. federal and state level, for amounts paid to their employees as well as responsibility for employer portions of U.S. federal payroll taxes.
- **Distributions.** Shareholder of the U.S. entity, may be subject to tax withholdings by the IRS for dividend distributions, as such payments are made to a non-U.S. person. The U.S. entity will be responsible for such withholdings and related filings as the "withholding agent".