This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS

Regulations Relating to Foreign Investment

On March 15, 2019, the National People's Congress (全國人民代表大會) promulgated the PRC Foreign Investment Law (中華人民共和國外商投資法) (the "FIL") which became effective on January 1, 2020 and replaced the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法). The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list." The FIL provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. The FIL does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council (中華人民共和國國務院). Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law (中華人民共和國公司法) (the "Company Law") and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例) (the "Implementation Rules") which became effective on January 1, 2020. The Implementation Rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On October 26, 2022, MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (鼓勵外商投資產業目錄(2022年版)) (the "Encouraging Catalog") which became effective on January 1, 2023, to replace the previous encouraging catalog. On December 27, 2021, MOFCOM and the NDRC released the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "2021 Negative List") which became effective on January 1, 2022, to replace the Special Management Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)), which was promulgated on June 23, 2020. The Encouraging Catalog and the 2021 Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged," "restricted" and "prohibited." Industries not listed in the Encouraging Catalog or the 2021 Negative List are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation (國家市場監督管理總局) (the "SAMR") jointly promulgated the Measures for Information Reporting on Foreign Investment (外商投資信息報告辦法), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Regulations on Foreign Investment in Value-Added Telecommunications Businesses

The Telecommunications Regulations of the People's Republic of China (中華人民共和國電信條例) (the "Telecommunications Regulations") promulgated by the State Council on September 25, 2000, as amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. The Telecommunications Regulations require that telecommunication service providers shall obtain the operating license prior to the commencement of operations. According to the Catalog of Telecommunications Businesses (電信業務分類目錄), attached to the Telecommunications Regulations on September 25, 2000, as amended by the Ministry of Information Industry (中華人民共和國信息產業部) (the "MII") (being the predecessor of the MIIT) on June 11, 2001 and February 21, 2003, and by the MIIT on December 28, 2015 and June 6, 2019, the first category of value-added telecommunications services is divided into four subcategories i.e., the Internet Data Center Services, the Content Delivery Network Services, the Domestic Internet Virtual Private Network Services, and the Internet Access Services. The second category of value-added telecommunications services includes, without limitation, the internet information services.

The Administrative Measures for Telecommunications Businesses Operating Licensing (電信業務經營許可管理辦法) (the "Telecommunications Measures"), which took effect on April 10, 2009 and was last amended on July 3, 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining the licenses, and the administration and supervision of these licenses.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (the "Internet Measures"), which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services. A commercial internet information services provider shall obtain a value-added telecommunications business operating license from the competent telecommunications authorities.

Pursuant to the Protocol on the Accession of the People's Republic of China (中華人民共和國加入議定書) effective on November 10, 2001, China's commitment to open telecommunication business does not include the Internet Data Center Services. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (內地與香港關於建立更緊密經貿關係的安排), Mainland and Macao Closer Economic Partnership Arrangement (內地與澳門關於建立更緊密經貿關係的安排) and their subsequent amendments from time to time, Mainland China has promised to open mainland data center business to service providers in Hong Kong Special Administrative Region and Macao Special Administrative Region subject to certain limitations.

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2022) (外商投資電信企業管理規定(2022修訂)) (the "FITE Regulations"), which was promulgated by the State Council on December 11, 2001 and most recently amended and took effect from May 1, 2022. According to the FITE Regulations and the 2021 Negative List, as for the value-added telecommunications business types which fall within China's commitment to the World Trade Organization ("WTO"), the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise shall not exceed 50%, except as otherwise stipulated by the state. Foreign investment in entities holding value-added telecommunications business operating licenses for the Internet Data Center Services, the Content Delivery Network Services, the Domestic Internet Virtual Private Network Services and the Internet Access Services, all of which are not open for foreign investment according to China's commitment to the WTO, are generally prohibited, except with respect to qualified telecommunication service providers in Hong Kong and Macao Special Administrative Region according to the Mainland and Hong Kong Closer Economic Partnership Arrangement or the Mainland and Macao Closer Economic Partnership Arrangement, respectively.

In July 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (信息產業部關於加強外商投資經營增值電信業務管理的通知) (the "MII Notice"), pursuant to which, if any foreign investor intends to invest in telecommunications business in China, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business operation licenses. Furthermore, under the MII Notice, domestic telecommunications enterprises may not rent, transfer or sell a telecommunications business operation license to foreign investors in any form, nor may they provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

Regulations on Mobile Internet Applications Information Services

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications and the internet application store are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (移動互聯網應用程序信息服務管理規定) (the "Mobile Application Administrative Provisions") which were promulgated by the CAC on June 28, 2016, effective on August 1, 2016 and lastly amended on June 14, 2022 and effective on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information content administrator responsibilities and carry out certain duties, including authenticate the real identity information of users, establish and complete information content inspection and management mechanisms, fulfill the data security protection obligations and regulate personal information processing activities. Furthermore, internet application information service providers shall sign service agreements with registered users, to determinate both sides' rights and obligations.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (移動智能終端應用軟件預置和分發管理暫行規定) (the "Mobile Application Interim Measures"), effective on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

REGULATIONS ON CARPOOLING SERVICES

Carpooling services are a relatively new business model and are rapidly evolving in China. On July 26, 2016, the General Office of the State Council promulgated the Guidelines on Deepening Reform and Promoting the Healthy Development of the Taxi Industry (國務院辦公廳關於深化改革推進出租汽車行業健康發展的指導意見), which became effective on July 26, 2016, to clearly define carpooling service (i.e. private car sharing/ride sharing) as sharing of journeys which private-car drivers share the information of their journeys online in advance and riders with similar route choose to ride with the driver and share part of the travel costs or for free. The municipal governments shall encourage and standardize the development of carpooling services and formulate corresponding regulations.

On July 27, 2016, the MOT, the MIIT, the MPS, MOFCOM, the SAMR and the CAC jointly promulgated the Interim Measures for the Management of Online Ride-Hailing Operation and Service (網絡預約出租汽車經營服務管理暫行辦法), which became effective on November 1, 2016 and amended on December 28, 2019 and November 30, 2022, to regulate the business activities of online ride-hailing services, and ensure operational safety for the passengers. Before carrying out online ride-hailing services, an online ride-hailing service platform company shall obtain the online ride-hailing operation permits (網絡預約出租汽車經營許可證) for online ride-hailing business and complete the record-filing of internet information services to the provincial authorities of communications administration in the place of its enterprise registration. Carpooling services (i.e. private car sharing/ride sharing) shall be subject to rules promulgated by the municipal authorities. Therefore, carpooling is not subject to the licensing regime that applies to online ride-hailing services. Nevertheless, a carpooling service provider generally is required to obtain a business license (營業執照) under the Company Law of the People's Republic of China (中華人民共和國公司法) and certain VATS License for operating the website or mobile app through which it provides services under the Telecommunications Regulations, the Telecommunications Measures and the Internet Measures. See "Regulations—Regulations on Foreign Investment in Value-Added Telecommunications Businesses."

On September 10, 2018, the General Office of the MOT and the General Office of the MPS jointly promulgated the Emergency Notice on Further Strengthening the Safety Management of Online Reservation of Taxis and Carpooling of Private Vehicles (關於進一步加強網絡預約出租汽車和私人小客車合乘安全管理的緊急通知), which provides that platforms engaged in providing carpooling marketplace services shall implement background checks on all private car owners by reference to relevant requirements of taxi driver background check and supervision. Specifically, carpooling platforms shall strictly standardize the matching process, shall not assign orders to private car owners before completing background checks, and shall apply facial recognition and other technologies to check the consistency between vehicles and private car owners before order matching. Moreover, carpooling platforms shall enhance personal information protection and standardize the safety requirements for vehicles. We may be subject to liability for injury or damage resulting from car accidents if we fail to fulfill these obligations.

Except for the guidelines on the national level, many municipal authorities have promulgated instructional implementing rules to clarify that the carpooling services are not defined as transportation business and further stipulate the requirements for carpooling service platform, vehicles and drivers, including the limitation on the number of daily carpooling times, the standard of cost sharing, the data ingestion or filing requirements and background checks requirements. For example, (1) on December 21, 2016, Beijing Commission of Transport, Beijing Public Security Bureau, Beijing Administration for Industry and Commerce, Beijing Communications Administration and Beijing Cyberspace Administration promulgated Guidance on Private Carpooling in Beijing, which stipulates that both parties who share the private car together can reasonably share the cost of oil, gas, electricity and road toll. In addition, each vehicle can be dispatched no more than two times per day; (2) on December 21, 2016, Shanghai Commission of Transport, Shanghai Cyberspace Administration, Shanghai Public Security Bureau, Shanghai Administration for Industry and Commerce and Shanghai Communications Administration announced Opinions on the Implementation of Standardizing the Private Carpooling in Shanghai, stipulate that platforms engaged in providing carpooling service information shall file with the municipal traffic administrative department 20 days before providing information services. Sharing carpooling cost and its standard are reasonably determined by the platform in accordance with relevant national regulations. In addition, the carpooling services provided by each car is temporarily limited to two times per day and more than one order can be matched in one trip; (3) on December 31, 2021, Guangzhou Commission of Transport and Guangzhou Public Security Bureau issued Opinions on the Investigation and Punishment of Illegal Operation of Road Passenger Transport Involved the Identification of Private Passenger Carpooling (the "Guangzhou Opinions") which became effective on the same day and would last for five years. The Guangzhou Opinions stipulate that the cost of private carpooling is limited to the direct costs such as the vehicle fuel (electricity) cost and road toll, and the cost-sharing of a single mileage shall not exceed 50% of the renewal price of the taxi mileage in Guangzhou. Besides, no starting price may be set or the cost-sharing can be charged on the basis of the time of carpooling. The Guangzhou Opinions further require that if the riders share part of the carpooling cost, the driver can offer the carpooling services no more than three times in the whole day, and no more than two orders can be matched in one trip; if the carpooling is free, the number of providing carpooling services for driver is unlimited; and (4) on August 3, 2022, Shenzhen Commission of Transport issued Opinions on Standardizing the Private Carpooling in Shenzhen (the "Shenzhen Opinions"), which became effective on August 25, 2022 and would last for five years. The Shenzhen Opinions stipulate that the cost of private carpooling is limited to the direct costs, such as the vehicle fuel and road toll, and the cost-sharing of a single mileage shall not exceed 50% of the renewal price of the taxi mileage (excluding starting price, waiting-time fee, return fee, surcharge, reservation service fee, and large baggage fee). The Shenzhen Opinions further provide that carpooling platforms shall not provide information services to the same vehicle for more than three times in a day.

As advised by our PRC legal advisors, as of the Latest Practicable Date, among the 46 cities where we conducted on-site consultations, municipal regulators in 23 cities have promulgated implementation rules for mobility platforms engaged in carpooling services, and municipal regulators in eight cities have published rules (draft for comments), while the remaining cities have not yet promulgated specific rules on the subject. These implementation rules primarily govern all or part of the following aspects:

- *Daily limit on the number of carpooling trips/rides*. Among the 46 cities, (1) the municipal regulators in 17 cities impose a daily limit on the number of carpooling trips and/or rides that a private car owner can provide, (2) the municipal regulator in two cities do not quantify such daily limit, and (3) the municipal regulators in the remaining 27 cities are silent on the subject. Based on the textual understanding of the relevant implementation rules and the regulatory assurance obtained from the local municipal regulators with respect to the 17 cities which impose the daily limits abovementioned, among the 17 cities, (1) six of them set the daily limit on the number of times of carpooling services at "two times," with the municipal regulator in one city further requiring that no more than two orders can be matched in one trip, (2) four of them set the daily limit at "three times," with the municipal regulator in two cities further requiring that no more than two orders can be matched in one trip, and (3) the remaining seven of them set the daily limit at "four times."

- *Sharing of travel cost*. Among the 46 cities, (1) the municipal regulators in 10 cities require that the ride fare per kilometer for carpooling trips be capped at half the price of local taxi rides, (2) the municipal regulators in 11 cities merely itemize certain aspects of cost, including gas fees and toll fees, that may be shared but do not offer any specific guidance or quantification on the computation of ride fares, (3) the municipal regulator in one city provides that standard of ride cost sharing shall be determined by carpooling platforms on a reasonable basis pursuant to applicable national regulations, (4) the municipal regulator in one city does not quantify such cost sharing requirement, and (5) the municipal regulators in the remaining 23 cities are silent on the cost sharing requirement.

- *Filing requirement and data sharing mechanism*. Several cities, including Shanghai and Tianjin, have both filing and data sharing requirements. Some other cities, including Harbin and Jinhua, only require platforms to maintain a data sharing mechanism with municipal transportation authorities with an oversight on carpooling. And Dalian only requires platforms to complete filing at municipal transportation authorities.

- *Background check and verification of private car owners and their vehicles*. A few cities, including Shanghai, require platforms to conduct background check of the private car owners' identity, years of driving experience, criminal records and other personal information, and/or verify the information of their vehicles to be used for carpooling, including the vehicle plate, annual inspection records and insurance information.

REGULATIONS ON TAXI ONLINE-HAILING SERVICES

On July 9, 2014, the General Office of the MOT promulgated the Notice on Promoting the Orderly Development of Taxi Online-Hailing Services by Mobile Phone Software (關於促進手機軟件召車等出租汽車電召服務有序發展的通知), which, among others, (1) requires local transportation authorities to strengthen market supervision of mobile phone taxi online-hailing services to protect the legitimate rights and interests of all parties; (2) encourages mobile phone taxi online-hailing information service providers to take advantage of their strengths, strengthen order management, optimize order dispatch rules, improve service levels, and participate in the construction of taxi service management information platform and technological transformation; and (3) requires local transportation authorities to accelerate the establishment and improvement of taxi service management information systems.

On August 26, 2016, the MOT promulgated the Provisions on the Administration of Cruising Taxi Operating Services (巡遊出租汽車經營服務管理規定) (the "Cruising Taxi Administration Provisions"), as amended on August 11, 2021, provides that (1) cruising taxi online-hailing services refer to provision of taxi services at the agreed time and location according to service requirements of passengers by means of telecommunications or the internet; (2) platforms providing taxi online-hailing services shall provide 24-hour non-stop services and dispatch taxis in due course according to service requirements from passengers; and (3) cruising taxi drivers shall arrive at the agreed time and location according to service requirements of passengers, communicate with taxi online-hailing service providers or passengers when the passengers fail to wait at the agreed location on time, and confirm with taxi online-hailing service providers when passengers get on the taxis. The Cruising Taxi Administration Provisions further provides that taxi online-hailing services shall be developed in different places based on actual conditions to establish and improve the management of online-hailing services system, and cruising taxi operators shall build or connect to the cruising taxi e-hailing service platform based on actual conditions to provide cruising taxi e-hailing services. Under the Cruising Taxi Administration Provisions, taxi online-hailing services are not subject to any specific licensing regime. Nevertheless, a taxi online-hailing service provider generally is required to obtain a business license (營業執照) under the Company Law of the People's Republic of China (中華人民共和國公司法) and certain VATS License for operating the website or mobile app through which it provides services under the Telecommunications Regulations, the Telecommunications Measures and the Internet Measures. See "Regulations—Regulations on Foreign Investment in Value-Added Telecommunications Businesses."

REGULATIONS ON CYBERSECURITY, DATA SECURITY AND PROTECTION OF PERSONAL INFORMATION

Regulations Relating to Cybersecurity and data security

On December 13, 2005, the MPS, issued the Regulations on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定) (the "Internet Protection Measures"), effective on March 1, 2006. The Internet Protection Measures requires internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by laws and regulations. Internet services providers are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences. Under the Administrative Measures for the Multi-level Protection of Information Security (信息安全等級保護管理辦法) (the "Measures for the Multi-level Protection"), which was promulgated jointly by the MPS and certain other PRC government authorities on June 22, 2007 and became effective on June 22, 2007, the national multi-level protection of the information security shall follow the principle of "independent grading and independent protection". Companies operating information systems shall determine the security protection level of the information system pursuant to the Measures for the Multi-level Protection and the Guidelines for Grading of Classified Protection of Cybersecurity (網絡安全等級保護定級指南) (the "Guidelines for Grading"), and report the level to the relevant department for examination and approval. According to the Measures for the Multi-level Protection and the Guidelines for Grading, the security protection of an information system may be classified into five levels and any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

According to Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法), which were promulgated by Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "SCNPC") on November 7, 2016 and effective on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of critical information infrastructure shall store within the territory of the PRC all personal information and important data collected and produced within the territory of the PRC. The purchase of network products and services that may affect national security shall be subject to national cybersecurity review.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法), which came into effect on September 1, 2021. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its

data processing activities and file the risk assessment reports with the competent authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC without the approval of the competent PRC authorities.

On July 30, 2021, the State Council promulgated the Regulations of Security Protection for Critical Information Infrastructure (關鍵信息基礎設施安全保護條例), which went into effect on September 1, 2021. The regulations provide that, among others, critical information infrastructure means key network facilities and information systems in important industries such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, defense technology industry and others that may seriously harm national security, national economy, people's livelihood and public interests once damaged, disabled or its data disclosed. Pursuant to such regulations, the relevant government authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth therein and further identifying the critical information infrastructure in the related industries in accordance with such rules. The relevant authorities must also notify operators of the determination as to whether they are categorized as critical information infrastructure operators.

On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (網絡數據安全管理條例(徵求意見稿)) (the "Draft Cyber Data Security Regulations"), providing that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security; (ii) a foreign listing by data processors processing over one million users' personal information; (iii) listing in Hong Kong that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. However, the criteria for determining "affect or may affect national security" as stipulated therein remain subject to further explanations and elaborations. The CAC solicited comments until December 13, 2021, but there is no timetable as to when it will be enacted.

On December 28, 2021, the CAC, the NDRC, the MIIT and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (網絡安全審查辦法), which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures published on April 13, 2020. Pursuant to Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, network platform operators who possess personal information of more than one million users and intend to be listed at a foreign stock exchange must be subject to the cybersecurity review.

On December 31, 2021, the CAC, the MIIT, the MPS, and the SAMR jointly promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (互聯網信息服務算法推薦管理規定), which took effect on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm-Based Recommendation implements classification and hierarchical management for algorithm recommendation service providers based on varies criteria. Moreover, it requires algorithmic recommendation service providers to provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services. If the users choose to cancel the algorithm recommendation service, the algorithm recommendation service provider shall immediately stop providing relevant services. Algorithmic recommendation service providers shall also provide users with the function to select or delete user labels that are based on personal characteristics and used for algorithmic recommendation services.

On July 7, 2022, the CAC promulgated the Data Outbound Transfer Security Assessment Measures (數據出境安全評估辦法) (the "Security Assessment Measures"), which became effective on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when (1) the data processors transferring important data abroad; (2) a critical information infrastructure operator and personal information processor that has processed personal information of more than one million people, transferring personal information abroad; (3) a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year, and (4) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC.

Regulations Relating to Protection of Personal Information

Under the Several Provisions on Regulating the Market Order of Internet Information Services (規範互聯網信息服務市場秩序若干規定) (the "Internet Information Services Provisions") issued by the MIIT in 2011, without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as "User Personal Information"), nor shall they provide User Personal Information to others, unless otherwise required by laws and administrative regulations. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information (關於加強網絡信息保護的決定) issued by the SCNPC on December 28, 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information (電信和互聯網用戶個人信息保護規定) issued by the MIIT on July 16, 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites and/or even criminal liabilities. Furthermore, the Mobile Application Administrative Provisions strengthens the regulation of the mobile app information services. Pursuant to the Mobile Application Administrative Provisions, owners or operators of mobile apps that provide information services are required to be responsible for personal information protection, observe the principles of legality, appropriateness, necessity and good faith, and comply with the relevant provisions.

On November 28, 2019, the CAC, the MIIT, the MPS and the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (APP違法違規收集使用個人信息行為認定方法), which provides guidance for the regulatory authorities to identify illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance thereof. Pursuant to the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (常見類型移動互聯網應用程序必要個人信息範圍規定), which was promulgated jointly by the CAC, the MIIT, the MPS and the SAMR on March 12, 2021 and became effective on May 1, 2021, "necessary personal information" refers to personal information

necessary for ensuring the normal operation of an application's basic functional services. Specifically, it refers to the personal information of the consumers, excluding the personal information of the suppliers. Any mobile internet application shall not refuse users to use its basic functional services on the ground that users disagree to provide unnecessary personal information.

On August 16, 2021, the CAC and certain other government authorities in PRC issued the Several Provisions on Car Data Security Management (for Trial) (汽車數據安全管理若干規定(試行)), which took effect on October 1, 2021. The several provisions provide that the processing of car data by car data processors shall be legal, proper, specific and clear, and shall be directly related to the design, production, sales, use, operation and maintenance of cars. Car data processors who carry out important data processing activities shall carry out risk assessments and submit risk assessment reports to the relevant government authorities.

On August 20, 2021, the Personal Information Protection Law (個人信息保護法) was passed by the SCNPC and went into effect on November 1, 2021. The Personal Information Protection Law requires, among others, that the processing of personal information should have a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose.

On May 8, 2017, the Supreme People's Court (中華人民共和國最高人民法院) and the Supreme People's Procuratorate (中華人民共和國最高人民檢察院) 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"), effective on June 1, 2017. The Interpretations clarifies several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the People's Republic of China (中華人民共和國刑法), including "citizen's personal information," "provision" and "unlawful acquisition." The Interpretations also specifies the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

The Administrative Provisions on the Account Information of Internet Users (互聯網用戶賬號信息管理規定), which was promulgated by the CAC on June 27, 2022 and became effective on August 1, 2022, sets out guidelines on the provision the account information of internet users. Internet-based information service providers shall perform their responsibilities as the administrative subjects of the account information of internet users, have in place professionals and technical capacity appropriate to the scale of services, and establish, improve and strictly implement the authentication of real identity information, verification of account information, security of information content, ecological governance, emergency responses, protection of personal information and other management systems.

REGULATION OF THE PAYMENT SERVICES

According to the Measures for the Administration of Payment Services of Non-Financial Institutions (非金融機構支付服務管理辦法), which were promulgated by the PBOC on June 14, 2010, effective on September 1, 2010 and amended on April 29, 2020, and the Implementing Rules for the Measures for the Administration of Payment Services of Non-Financial Institution (非金融機構支付服務管理辦法實施細則), which were promulgated by the PBOC, effective on December 1, 2010 and last amended on September 1, 2021, payment services provided by non-financial institutions refer to some or all of the following monetary capital transfer services provided by non-financial institutions as intermediary agencies between payers and payees: (1) payment through the internet; (2) issuance and acceptance of prepaid cards; (3) bankcard acquiring; and (4) other payment services as determined by the PBOC. Non-financial institutions that provide payment services shall obtain a Payment Business License and become a "payment

institution." Payment Business License is valid for five years from the date of issuance. Payment institutions shall carry out business activities in compliance with the scope of business approved by the Payment Business License, and shall not outsource any business, transfer, lease, or lend its Payment Business License. Any non-financial institution or individual shall not directly or indirectly engage in payment business without the approval of the PBOC.

REGULATIONS RELATING TO ADVERTISING BUSINESS

PRC advertising laws and regulations, including the Advertisement Law of PRC (2021 Revision) (中華人民共和國廣告法(2021修正)), promulgated by SCNPC on April 29, 2021 and became effective on the same day, set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations.

On February 25, 2023, the SAMR promulgated the Measures on Internet Advertising (互聯網廣告管理辦法) (the "Internet Advertising Measures"), which became effective on May 1, 2023 and replaced the Interim Measures on Internet Advertising (互聯網廣告管理暫行辦法), to regulate any advertisement published on the internet, including but not limited to, through websites, webpage and apps, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. Internet advertisers are responsible for the authenticity of the content of advertisements and may publish advertisements by setting up a website or an internet medium owned by them, or by entrusting internet advertising operators or advertising publishers to publish advertisements. Internet platform operators must take measures in the process of providing Internet information services to prevent and stop illegal advertisements. In addition, it is not allowed to cheat or mislead users to click on or browse advertisements in the following ways: (1) false system or software updates, error reporting, removal, notice and other prompts; (2) false signs such as playing, starting, pausing, stopping, and returning; (3) false reward promises; and (4) other methods to cheat or mislead users. The market regulation administrative department is the relevant local administrative authority that supervises and enforces punishments for any illegal act in internet advertising. Any violation of the Internet Advertising Measures may result in fines, prohibition of publishing advertisements for a period of time or withdrawal of business licenses, and other penalties.

REGULATIONS ON UNFAIR COMPETITION AND ANTI-MONEY LAUNDERING

According to the Law of the People's Republic of China against Unfair Competition (中華人民共和國反不正當競爭法) (the "Anti-Unfair Competition Law") promulgated by the SCNPC on September 2, 1993 and amended on November 4, 2017 and April 23, 2019, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, taking advantage of powers or influence to affect a transaction, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, illegitimate premium sale and commercial libel. Any operators who violate the Anti-Unfair Competition Law by engaging in the foregoing unfair competitive activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators.

According to the Anti-money Laundering Law of the PRC (中華人民共和國反洗錢法), which became effective on January 1, 2007, anti-money laundering refers to the adoption of relevant measures stipulated in anti-money laundering laws to prevent money laundering activities by various means to hide or conceal the source and nature of gains and other profits from drug offences, organized crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, and financial fraud. Any organization or individual shall have the right to report any discovery of money laundering to anti-money laundering administrative authorities or the public security department. The agency that accepts the report shall maintain in confidence the informant's identity and the contents of the report.

REGULATIONS ON ANTI-MONOPOLY MATTERS RELATED TO INTERNET PLATFORM COMPANIES

The principle regulations that govern Anti-monopoly matters in PRC mainly include: (i) the Anti-monopoly Law of the PRC (中華人民共和國反壟斷法), which was promulgated by the SCNPC on August 30 and the latest revision took effect on August 1, 2022; and (ii) the Anti-monopoly Commission of the State Council (國務院反壟斷委員會) issued the Anti-monopoly Compliance Guideline for Operators (經營者反壟斷合規指南) on September 11, 2020. These laws and regulations prohibit monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition and require business operators to establish Anti-monopoly compliance management systems to prevent Anti-monopoly compliance risks.

On February 7, 2021, the Anti-monopoly Commission of the State Council issued the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (關於平台經濟領域的反壟斷指南) which specifies that certain activities of internet platforms may be identified as monopolistic and that concentrations of undertakings involving variable interest entities are subject to anti-monopoly scrutiny. On March 10, 2023, the SAMR promulgated the Provisions on Prohibition of Monopoly Agreements (禁止壟斷協議規定), the Provisions on Prohibiting Abuse of Dominant Market Positions (禁止濫用市場支配地位行為規定), and the Provisions on the Examination of Concentrations of Undertakings (經營者集中審查規定). These provisions further elaborate on the factors to be considered in assessing monopoly agreements, abusive practices and concentrations of undertakings.

REGULATIONS RELATING TO OVERSEAS [REDACTED]

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to [**REDACTED**] 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 [**REDACTED**] shall be determined as an indirect overseas [**REDACTED**] by a domestic company: (i) 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; (ii) 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 [**REDACTED**] 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 an application for [**REDACTED**] in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

The Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events (the "Material Events") after the Overseas [**REDACTED**]. 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 [**REDACTED**] status or changing the [**REDACTED**] board; and (4) voluntary or compulsory termination of [**REDACTED**]. Besides, if any material change in the principal business and operation of the issuer after its Overseas [**REDACTED**] 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 Trial Measures, the PRC domestic enterprises engaging in Overseas [**REDACTED**] 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 [**REDACTED**] 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 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 Trial Measures provides the circumstances where the Overseas [**REDACTED**] is explicitly prohibited, including the following situations: (1) such securities [**REDACTED**] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) the Overseas [**REDACTED**] 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 Trial Measures and issued the Notice, which, among others, clarifies that (1) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas [**REDACTED**] 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 [**REDACTED**]; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the 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), but have not completed the indirect overseas [**REDACTED**]; if domestic companies fail to complete the overseas [**REDACTED**] 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 [**REDACTED**] 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.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (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) (the "Archives Rules"), which came into force on March 31, 2023. The Archives Rules require that, in relation to the overseas securities [**REDACTED**] activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas [**REDACTED**], 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.

REGULATIONS ON M&A RULES

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, SASAC, SAT, the SAMR, the CSRC and SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which were effective on September 8, 2006 and amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport to, among other things, require offshore special purpose vehicles formed for overseas [**REDACTED**] purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to [**REDACTED**] their securities on an overseas stock exchange.

In addition, pursuant to the Circular of the General Office of State Council on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was issued by the General Office of the State Council on February 3, 2011 and took effect on March 3, 2011, and the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定), which was issued by MOFCOM and became effective in September 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including structuring the transaction through a proxy or contractual control arrangement.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (關於依法從嚴打擊證券違法活動的意見), among which, it emphasizes the need to strengthen the administration over illegal securities activities and the supervision on overseas [**REDACTED**] by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas [**REDACTED**] by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulation on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations (外匯管理條例) which were 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 on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "Circular 19") which were effective on June 1, 2015 and amended on December 30, 2019 and March 23, 2023. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "Circular 16") on June 9, 2016, 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.

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 and amended on October 10, 2018 and December 30, 2019, which 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 Administration (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 regulatory 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), pursuant to which all foreign-invested enterprises can make domestic equity investments with their capital funds in accordance with the related laws.

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 purpose 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 regulations.

Regulations on Stock Incentive Plans

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "Stock Option Rules"). According to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas listed company, who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (國家税務總局關於股權激勵有關個人所得税問題的通知) promulgated by the SAT, and effective from August 24, 2009 and amended in April 18, 2011, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATION ON INTELLECTUAL PROPERTY

Copyright and Software Products

On September 7, 1990, the SCNPC promulgated Copyright Law of the PRC (中華人民共和國著作權法) (the "Copyright Law") which was effective on June 1, 1991 and lastly amended on November 11, 2020. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products also enjoy copyright. There is a voluntary registration system administered by Copyright Protection Center of China (中國版權保護中心) (the "CPCC").

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 on December 20, 2001, effective on January 1, 2002 and amended on January 30, 2013, the National Copyright Administration of China (國家版權局) 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 CPCC is designated as the software registration 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.

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定) provide that web users or web service providers who provide works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademarks

Trademarks are protected by the PRC Trademark Law (中華人民共和國商標法) promulgated by the SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of 10 years to registered trademarks and another 10 years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Names

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 (中國互聯網絡信息中心) 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.

The Patent Law

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 December 27, 2008 and amended on October 17, 2020 and the revised version of which became effective on June 1, 2021) and its Implementation Rules (中華人民共和國專利法實施細則) (which were promulgated by the State Council on December 11, 2023 and became effective on Junuary 20, 2024), the patent administrative department under the State Council 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.

REGULATIONS ON TAXES

Enterprise Income Tax

Pursuant to the People's Republic of China Enterprise Income Tax Law (中華人民共和國企業所得税法) (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 its implementing rules, 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 (中華人民共和國財政部) (the "MOF") and 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.

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税管理辦法(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 Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (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 (關於執行税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 on Several Issues regarding the "Beneficial Owner" in Tax Treaties (關於税收協定中"受益所有人"有關問題的公告) (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 (國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告) (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 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 (國家税務總局關於非居民企業所得税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.

Value-added Tax and Business Tax

According to the Provisional Regulations on Value-added Tax (增值税暫行條例) promulgated by the State Council on December 13, 1993 and amended on November 10 2008, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (增值税暫行條例實施細則) 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、税務總局關於調整增值税税率的通知) (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 (中華人民共和國海關總署) jointly issued the Announcement on Policies for Deepening the VAT Reform (關於深化增值税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 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 be prevail in case of any conflict with existing provisions.

Regulations Relating to 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 (國家税務總局關於執行税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 (國家税務總局關於發佈<非居民納税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.

REGULATIONS RELATING TO 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.