LAWS AND REGULATIONS RELATING TO CONSTRUCTION

Construction Qualifications

The Construction Law of the PRC (《中華人民共和國建築法》) (the "**Construction Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on November 1, 1997 which came into effect on March 1, 1998 and last amended on April 23, 2019, the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (《建築業企業資質管理規定》) (the "**Construction Qualifications Provision**") promulgated by the Ministry of Construction (the predecessor of the Ministry of Housing and Urban-Rural Development (the "**MOHURD**"), the "**MOC**") on October 6, 1995 which came into effect on October 15, 1995 and was last amended by the MOHURD on December 22, 2018, the Notice on Issuance of Qualification Standards of Construction Enterprises (《住房和城鄉建設部關於印發〈建築業企業資質標準〉的通知》) promulgated by the MOHURD on November 6, 2014, implemented on January 1, 2015 and last amended on October 14, 2016, the Notice on Issuance of the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards (《住房和城鄉建設部關於印發〈建築業企業資質管理規定和資質標準實施意見〉的通知》) promulgated by the MOHURD on January 31, 2015 which came into effect on March 1, 2015 and was last amended on January 16, 2020, together with other regulations, stipulate the application requirements and the scope of activities of contracting construction enterprises.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications to engage in the construction contracting business. The general construction contracting qualification has 12 categories and is generally divided into four grades, namely, premium-grade, first-grade, second-grade and third-grade. The specialized subcontracting qualification has 36 categories and is generally divided into three grades, namely, first-grade, second-grade and third-grade. The Qualification Standards of Construction Enterprises (《建築業企業資質標準》) sets forth detailed provisions on the application requirements for each type and grade of qualification mentioned above.

Construction enterprises shall obtain qualifications and may undertake construction works in accordance with the scope of their qualification. Main contracting enterprises for construction works may undertake all aspects of the construction works themselves, or subcontract non-essential construction works, namely, construction works other than the construction of the main structure of the construction program to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the labor services.

Specific requirements in relation to standards for these categories and grades have been made in the Qualification Standards of Construction Enterprises. Requirements in relation to assets, key staff, project performance, and/or technologies and equipment of the applicant shall be fulfilled in order to apply for certain qualification category and grade. Enterprises with different qualification grades undertake works with different scopes in terms of scale and complexity in accordance with the Qualification Standards of Construction Enterprises.

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

Pursuant to the notice issued by the State Council regarding Deepening the Reform of Separating Permits from Business Licenses and Further Increasing the Development Vitality of Market Participants (《國務院關於深化"證照分離"改革進一步激發市場主體發展活力的通知》) on May 19, 2021, the qualifications for enterprises undertaking construction are adjusted from three classes to two classes, the third class is revoked, and the conditions for the second class are correspondingly adjusted. As at the Latest Practicable Date, the MOHURD has not officially issued the new Qualification Standards of Enterprises in the Construction Industry with respect to such reform matters.

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) (promulgated on September 25, 2000, amended on June 12, 2015 and October 7, 2017 and taking effect on October 7, 2017) and the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》) (promulgated on June 26, 2007, amended on May 4, 2015, September 13, 2016 and December 22, 2018 and taking effect on December 22, 2018), the PRC Government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction design shall apply for qualification certifications before they undertake construction design activities.

Construction design qualifications are classified into four types and four grades. The four types are comprehensive construction design qualification, industry-specific construction design qualification, specialty construction design qualification, and specialized construction design qualification. In addition, the four classes are Class A, B, C and D. The comprehensive construction design qualification only has Class A. Industry-specific construction design qualification, specialty construction design qualification and specialized construction design qualification are generally categorized into Class A and Class B. Depending on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Class C for certain industry-specific construction design qualification and specialty construction design qualification, and additional Class C and D for specialized construction design qualification.

The scope of work that enterprises are allowed to provide depends on the specific category and class of their certificates. The Qualification Standards of Construction Design (《工程設計資質標準》(建市[2007]86號)) (Jian Shi [2007] No. 86, promulgated on March 29, 2007, amended and taking effect on June 16, 2016) sets forth detailed provisions on application requirements of each category and class mentioned above.

Reform of Qualification of Construction Enterprises

On November 30, 2020, the MOHURD promulgated the Notice of Printing and Distributing the Reform Plan for the Qualifications Management System of Construction Enterprises (《關於印發建設工程企業資質管理制度改革方案的通知》) (Jian Shi [2020] No. 94) to carry out reform on the qualification of construction enterprises, further lift the access restrictions of construction market and improve the approval services. The relevant reforms involving engineering contracting and qualifications of construction design are as follows:

- Contracting qualifications: to adjust the 10 types of premium grade qualification of general contracting enterprises for construction to comprehensive construction qualifications, which can undertake general contracting business of various industries and grades; to retain 12 types of general contracting qualification, and to integrate the specialized subcontracting qualification of civil aviation projects into general contracting contractor qualification; to integrate 36 categories of specialized subcontracting qualifications into 18 categories; to change the construction qualifications of labor service enterprises to specialized operation qualifications, and to change from the approval system to the filing system. Comprehensive qualifications and specialised operation qualifications are not subject to classification. Main contractor qualification and specialised subcontractor qualification are reduced to grades A and B in principle (certain specialised subcontracting qualifications are not graded). Among them, the Grade A qualifications for general construction contractor are not subject to any limit in terms of the size of business in the industry.

• Qualifications of construction design: to retain comprehensive qualifications; to integrate 21 types of industry-specific qualifications into 14 types; to integrate 151 types of specialty qualifications, 8 types of specific qualifications, and 3 types of firm-level qualifications into 70 types of specialty and firm-level qualifications. Comprehensive qualifications and firm-level qualifications are not subject to classification. In principle, the grades of industry-specific qualifications and specialty qualifications are reduced to grades A and B (certain qualifications only retain Grade A).

Pursuant to the Notice of the State Council on Deepening the 'Separation of Permits and Licenses' Reform to Further Stimulate the Vitality of Market Entities (《國務院關於深化"證照分離"改革進一步激發市場主體發展活力的通知》), from July 1, 2021, the qualification levels for construction engineering design enterprises shall be adjusted from three or four levels to two levels, leaving only grades A and B qualifications in principle. The conditions for the Grade B qualification shall be correspondingly adjusted.

Quality Control of Construction Projects

Pursuant to the Administrative Regulations on Construction Project Quality (《建設工程質量管理條例》 promulgated by the State Council on January 30, 2000 and last amended on April 23, 2019), the construction project owners, survey firms, designers, construction enterprises and project supervisory enterprises shall be responsible for the quality of their construction works. For construction projects under a general contract, the main contractor shall be responsible for the quality of the whole project. Whereas if the main contractor subcontracts the construction works to a subcontractor, the subcontractor shall be liable to the main contractor when the quality of the subcontracted works fails to meet the standard provided by the contract between them, and the main contractor and subcontractor shall be jointly and severally responsible for the quality of the subcontracted works. Quality warranty system shall be adopted for construction works projects. If any quality problem occurs, which falls within the scope of quality warranty and the warranty period, the construction entity shall perform the warranty obligation and be liable for the compensation of losses arising therefrom.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the MOHURD on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of a building construction and municipal infrastructure project, the construction enterprises shall submit a report on the completion of the project to the owner of the project and apply for construction completion acceptance examination. The owner of this project shall organize construction completion acceptance examination conducted by competent institutions, and within 15 days from the date on which the acceptance examination of the project is passed, the owner of the project shall conduct filing with the competent construction department of government at or above county level at the place where the project is located.

Construction Works Commencement Permit

According to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by the MOC on October 15, 1999 and last amended by the MOHURD on March 30, 2021, for construction and decoration works in respect of various housing construction and auxiliary facilities thereof, installation of circuits, pipelines and equipment, as well as construction of infrastructural works for cities and towns, the project owner shall apply for construction permits from the competent department in accordance with the regulations of the Administrative Measures for urban-rural development of housing of the local people's government at or above county level where the construction is located prior to the commencement of works.

It is not necessary to apply for construction permits for construction works of investment amount less than RMB0.3 million or which the gross floor area is less than 300 sq.m. The administrative authority in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central People's Government may, in accordance with the specific circumstances prevailing in their respective regions, readjust these limits and notify the department under the State Council responsible for construction for its records. For any construction project for which the construction commencement report has been approved in accordance with the authority and procedures requirements as specified by the State Council, the project owner concerned shall not be required to apply for a construction permit.

Administration of Tender and Bid

According to the Law on Bid Invitation and Bidding of the PRC (《中華人民共和國招標投標法》) promulgated by the SCNPC on August 30, 1999 and amended on December 27, 2017, a tender is required for the survey, design, construction and supervision of projects as well as the purchase of important equipment and materials for the project construction in China, including projects involving large-scale infrastructure and public utility relating to public interest and safety, projects entirely or partially financed by state-owned funds or loans by the State and projects financed by loans and financial aid from international organisations or foreign governments.

The Provisions on Engineering Projects which must be Subject to Bidding (《必須招標的工程項目規定》) promulgated by the National Development and Reform Commission (the "**NDRC**") on March 27, 2018 and effective on June 1, 2018 and the Administrative Measures of Bidding for Construction of the House Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) promulgated by the MOC on June 1, 2001 and last amended by the MOHURD on March 13, 2019 set out the scope of construction projects which shall be subject to bidding and provide for the specific requirements for bidding. The Provisions on Tender and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) promulgated by the NDRC on March 8, 2003 and amended on March 11, 2013 and the Regulations on the Implementation of the Law on Bid Invitation and Bidding of the PRC (《中華人民共和國招標投標法實施條例》) promulgated by the State Council on December 20, 2011 and last amended on March 2, 2019 specify the requirements and procedures for bidding.

Project Pricing and Project Price Settlement

The Pricing Management Approach of Contracting of Construction Projects (《建築工程施工發包與承包計價管理辦法》), issued by the MOC on 5 November 2001, amended by the MOHURD on 11 December 2013 and effective on 1 February 2014 and the Interim Measures for Settling Project Price (《建設工程價款結算暫行辦法》), issued by the Ministry of Finance (the "**MOF**") and the MOC on 20 October 2004, set forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

According to the Small and Medium-Sized Enterprise Promotion Law of PRC (《中華人民共和國中小企業促進法》) issued by the Standing Committee of the National People's Congress ("**NPCSC**") on June 29, 2002, and last revised on September 1, 2017 and effective on January 1,2018, state organs, public institutions, and large enterprises shall not default on the payment of goods, construction, and service fee to small and medium-sized enterprises. Small and medium-sized enterprises have the right to demand the defaulting party to pay the overdue amounts and to claim compensation for losses caused by the default.

In accordance with the Regulations on the Payment of Funds to Small and Medium-sized Enterprises (《保障中小企業款項支付條例》) promulgated by the State Council on July 5, 2020, amended on March 17, 2025 and effective on June 1, 2025, state organs, public institutions, and large enterprises are prohibited from defaulting on payments for goods, engineering, and services provided to small and medium-sized enterprises. Small and medium-sized enterprises have the right to demand the payment of overdue amounts and to seek compensation for losses caused by the delay in payment. The funds required for government investment projects shall be ensured to be in place in accordance with relevant national regulations, and construction units shall not be required to advance funds for the construction.

Pursuant to the Government Investment Regulation (《政府投資條例》) issued by the State Council on 14 April 2019 and effective on 1 July 2019, government investment projects shall be fully funded in accordance with relevant regulations. It also stipulates that advance funding by construction enterprise is not allowed in government investment projects.

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the National People's Congress (the "**NPC**") on May 28, 2020 and became effective on January 1, 2021, where the property developer does not make payments as agreed, the contractor may demand the property developer to make the said payments within a reasonable period of time. Where the property developer has not made the said payments within the said period of time, then except where it is not appropriate to conduct a sale at a depreciated price or an auction due to the nature of the construction project, the contractor may conclude an agreement with the developer to sell off the project, or may apply to the People's Court for the said project to be auctioned in accordance with the law. With respect to all monies received in selling off or auctioning the said project, priority shall be given to using the monies to make the relevant payments on the construction project.

The General Office of the Central Committee of the Communist Party of China (CPC) and the General Office of the State Council jointly issued the Opinions on Solving the Problem of Delinquent Payments to Enterprises (《關於解決拖欠企業賬款問題的意見》) in October, 2024, which requires that the government should strengthen the supervision of investment in government projects, project funds, and procurement and payment, improve the project price settlement system, perfect the system of preventing and solving the system and mechanism for preventing and solving the problem of large-scale enterprises defaulting on their accounts to small and medium-sized enterprises, and set up a unified nationwide platform of registering (complaints) defaulted payments to small and medium-sized enterprises and strengthening departmental coordination and joint efforts to resolve the problem of delinquent payments to enterprises.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION SAFETY

Safety of Construction Projects

The Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Work Safety Law**") which was issued by the SCNPC on June 29, 2002, last amended on June 10, 2021 and came into effect on September 1, 2021, provides that a production and operation enterprise must meet the national standards or industry standards on work safety and provide the required work conditions as set out in the relevant laws, administrative rules and national or industry standards. An entity that cannot provide required conditions for work safety shall not engage in production and business operation activities. A production and operation enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

According to the Regulations on the Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》) which was issued by the State Council on November 24, 2003 and came into effect on February 1, 2004, in the case of a project under a general contract, the main contractor will be liable for the general work safety of the construction site. If the main contractor legally subcontracts the construction project to other entities, the subcontract shall specify their rights and obligations in respect of the work safety and the main contractor and the subcontractors shall be jointly and severally liable for the work safety of the subcontracting projects. In the case of a construction project with a general contract, the main contractor shall be responsible for reporting the accident.

Work Safety Licenses

Pursuant to the Work Safety Law, the Regulation on the Administration of Work Safety of Construction Projects, the Regulation on the Work Safety Licenses (《安全生產許可證條例》) issued by the State Council on January 13, 2004 and last amended on July 29, 2014, and the Provisions on the Administration Regulation on Work Safety License of Construction Enterprise (《建築施工企業安全生產許可證管理規定》) promulgated by the MOC on July 5, 2004, implemented on the same date and further amended by the MOHURD on January 22, 2015, construction enterprises shall be subject to the work safety license system implemented by the PRC government and apply for a work safety license ("**安全生產許可證**"). The work safety license shall be valid for three years. A construction enterprise should apply for renewing the license three months before its expiration. Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at the provincial level for obtaining a work safety license. Without work safety licenses, construction enterprises shall not engage in construction activities. The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise fails to obtain a work safety license, it shall not be issued a construction license.

Safety Training and Labor Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) (the "**Labor Law**"), issued by the SCNPC on July 5, 1994 and last amended and effective on December 29, 2018, an employer must establish a sound labor safety and hygiene system and shall strictly implement state rules and standards of labor safety and hygiene, conduct labor safety and hygiene education among its employees to prevent accidents and reduce occupational hazards. An employee must strictly observe operational safety procedures.

Pursuant to the Interim Measures of Construction Workers Using Personal Protective Equipment (《建築施工人員個人勞動保護用品使用管理暫行規定》), issued by the MOC and effective on November 5, 2007, all construction workers must receive regular safety training and construction enterprises should maintain records of education and training. In addition, the use and management of safety equipment in the construction site and the personal safety equipment for construction workers are also strictly regulated.

Work Safety Accidents Regulations

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (《生產安全事故報告和調查處理條例》), issued by the State Council on April 9, 2007 and effective on June 1, 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows: (i) particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million; (ii) significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million; (iii) relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and (iv) general accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million. After the occurrence of the accident, the relevant personnel at the scene of the accident shall immediately report to the responsible person of the entity. Upon receiving the report, the responsible person of the entity shall report within one hour to the work safety regulatory department of the people's government at the county level or above at the place where the accident occurs and the relevant departments responsible for work safety regulation. In urgent circumstances, the relevant personnel at the scene of the accident may directly report to the work safety regulatory department of the people's government at the county level or above at the place where the accident occurs and the relevant department responsible for work safety regulation.

Accident prevention

To ensure construction safety and prevent accidents, the Provisions on the Falling Prevention of the Construction Projects (《建築工程預防高處墜落事故若干規定》), promulgated by the MOC on 17 April 2003 sets out strict rules on staff and equipment requirements for height operation under a strict liability regime. Pursuant to the Provisions on Collapse Prevention of Construction Projects (《建築工程預防坍塌事故若干規定》) promulgated by the MOC on 17 April 2003, in order to prevent accidents and ensure construction safety, the enterprise engaged in engineering construction, reconstruction, expansion and other activities is required to formulate the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and last amended on April 24, 2014 by the SCNPC, the Law on the Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) promulgated on May 11, 1984 and last amended on June 27, 2017 by the SCNPC, the Law on the Prevention and Control of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》) promulgated on September 5, 1987 and last amended on October 26, 2018 by the SCNPC, the Law on the Prevention and Control of Solid Waste Pollution of the PRC (《中華人民共和國固體廢物污染環境防治法》)

promulgated on October 30, 1995 and last amended on April 29, 2020 by the SCNPC, and the Law on the Prevention and Control of Noise Pollution of the PRC (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on December 24, 2021 and effective on June 5, 2022, the construction of any project that causes pollution shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gasses, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated during construction. Failure to comply with the above laws could result in various penalties depending on individual circumstances and the extent of contamination. Such penalties may include warnings, fines, orders to stop production or even close-down in certain serious circumstances.

COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Companies established and operating in the PRC shall be subject to Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively, and was latest revised on December 29, 2023 and came into effect on July 1, 2024. The Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Unless otherwise provided in the PRC foreign investment laws, the provisions in the Company Law shall prevail.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, and the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) which was promulgated by the MOFCOM and the NDRC on September 6, 2024 and became effective on November 1, 2024, foreign investors shall not invest in areas where investment is prohibited under the negative list for the admission of foreign investment. Foreign investors shall meet the conditions set forth in the negative list for the admission of foreign investment to invest in the areas where investment is restricted under the negative list. Management of foreign investment in the areas beyond the negative list shall be implemented in accordance with the principle of equality between domestic and foreign investment. The relevant provisions of the Foreign Investment Law and its implementation regulations shall apply to investments within the territory of the PRC by foreign investment enterprises.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation issued the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which became effective on January 1, 2020. According to the Measures on Reporting of Foreign Investment Information, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Foreign investment enterprises shall also submit the annual report for the preceding year during January 1, to June 30, annually through the National Enterprise Credit Information Publicity System.

In Accordance with the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "**M&A Rules**") (《關於外國投資者併購境內企業的規定》 ("**併購規則**")) promulgated by the MOFCOM and other five authorities on August 8, 2006 and amended on June 22, 2009, a foreign investor is required to abide by the M&A Rules when he/she (i) establishes a foreign-funded enterprise either by acquiring equity in a domestic non-foreign invested enterprise, or subscribing for new equity in a domestic enterprise via an increase of registered capital; or (ii) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Approval from the MOFCOM is required if a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**") (promulgated by the State Council on January 29, 1996, newly amended on August 5, 2008), RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Pursuant to the Circular of the State Administration of Foreign Exchange ("**SAFE**") on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《國家外匯管理局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》) promulgated and implemented on July 4, 2014, offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic organisations and natural persons) with their legally owned onshore or offshore assets and equity, for the purposes of investment and financing shall be subject to foreign exchange registration for offshore investment with SAFE. In the event of any change of basic information of the registered overseas special purpose companies such as the individual shareholder, name, operation term, or if there is a capital increase/decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the registration of foreign exchange alteration of the registration formality for offshore investment with SAFE in a timely manner. Foreign-invested enterprises established in return investments shall be subject to completion of relevant foreign exchange registration formality in accordance with the effective provisions on the foreign exchange administration of direct investment of foreign investors, and shall disclose the de facto controller and other relevant information of the shareholders. After a special purpose company has completed overseas financing, if the funds raised are repatriated to the mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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》) promulgated on February 13, 2015 and implemented on June 1, 2015 and last amended and implemented on December 30, 2019, the SAFE decided to further simplify and improve policies for the foreign exchange administration of direct investment around the entire nation, by cancelling two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment and, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks and simplifying the procedures for some foreign exchange transactions under direct investment.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was issued and came into effect on October 23, 2019 by the SAFE and was amended on December 4, 2023, foreign-invested enterprise engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

According to the Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), which was issued and came into effect on December 4, 2023 by the SAFE, the equity transfer consideration paid in foreign currency by domestic entities owe to domestic equity transferors (including institutions and individuals), as well as the foreign exchange funds raised by domestic enterprises listed overseas, can be remitted to the capital project settlement account directly. The funds in the capital project settlement account can be independently settled and utilized.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax ("EIT")

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) (the "**EIT Law**") (promulgated by the SCNPC on March 16, 2007 and effective from January 1, 2008 and newly amended on December 29, 2018) and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) (promulgated by the State Council on December 6, 2007 and effective from January 1, 2008, and last revised on December 6, 2024), enterprises are classified as either "resident enterprises" or "non-resident enterprises". The "resident enterprises" are defined as enterprises set up in the PRC under the PRC laws or set up according to the foreign country/region's law whereas whose actual or de facto control is administered from within the PRC. Enterprises established under the foreign country/region's law with "de facto management bodies" outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as "non-resident enterprises". A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has an actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 20%. The EIT Law also specifies that research and development expenses for the development of new technologies, new products and new skills may be deducted by the enterprise when computing the taxable amount of income.

The Administrative Measures for Determination of High and New Technology Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology, the Ministry of Finance (the "**MOF**") and the State Administration of Taxation (the "**SAT**") on April 14, 2008 and effective on January 1, 2008 and revised on January 29, 2016 and the EIT Law specify the types of enterprises eligible for tax reductions. According to The Administrative Measures for Determination of High and New Technology Enterprises, to maintain the status of a High and New Technology Enterprise, the enterprise must meet the following conditions:

(I) The enterprise must have been registered and established for more than one year at the time of application for recognition;

(II) The enterprise must have obtained ownership of intellectual property rights that play a core supportive role in the technology of its main products (services) through independent research and development, transfer, donation, merger and acquisition, or other means;

(III) The technology that plays a core supportive role for the enterprise's main products (services) must fall within the scope defined in the National Key Supported High and New Technology Fields (《國家重點支持的高新技術領域》);

(IV) The proportion of scientific and technological personnel engaged in research and development and related technological innovation activities must not be less than 10% of the total number of employees of the enterprise in that year;

(V) The total amount of research and development expenses for the enterprise in the last three fiscal years (calculated based on the actual operating period if less than three years, the same below) as a proportion of the total sales revenue for the same period must meet the following requirements:

i. For enterprises with sales revenue of less than RMB50 million (inclusive) in the most recent year, the proportion must not be less than 5%;

ii. For enterprises with sales revenue between RMB50 million and RMB200 million (inclusive) in the most recent year, the proportion must not be less than 4%;

iii. For enterprises with sales revenue of more than RMB200 million in the most recent year, the proportion must not be less than 3%.

Besides, the total amount of research and development expenses incurred within China must account for not less than 60% of the total research and development expenses;

(VI) The income from high-tech products (services) in the most recent year must not be less than 60% of the total income of the enterprise for the same period;

(VII) The enterprise's innovation capability evaluation must meet the corresponding requirements;

(VIII) The enterprise must not have had any significant safety, quality accidents, or significant environmental legal violations in the year prior to applying for recognition.

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax Policy for New High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) issued by the SAT and effective on June 19, 2017, the enterprise income tax rate of "High and New Technology Enterprise (高新技術企業)" requiring national major support should be reduced to 15%. The certificate of a high and new technology enterprise shall be valid for three years from the date of issuance of the certificate. An enterprise which is recognised as a high and new technology enterprise is entitled to tax preference from the year in which the high and new technology enterprise certificate is granted. The new high-tech areas with national major support, the administrative measures for the accreditation of new high-tech enterprises and the EIT Law provide for the business types entitled to tax reduction.

Value-added Tax ("VAT")

According to Value-added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》) (promulgated by the SCNPC on December 25, 2024, came into effect on January 1, 2026), and The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) (promulgated by the MOF and was last amended on October 28, 2011 and came into effect on November 1, 2011), organisations and individuals engaging in the sale of goods or processing, repair and assembly services, the sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of VAT, and shall pay VAT pursuant to these Regulations.

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), promulgated on March 23, 2016 and last amended on March 20, 2019, provides that upon approval by the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be implemented nationwide with effect from May 1, 2016 and all business tax payers in the construction industry, property industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot programme and pay VAT in lieu of business tax.

According to the Circular 36 and the VAT Regulations, the VAT rate to be imposed on construction services shall be 11%. According to the Notice of the MOF and the SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018, the tax rate of 11% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 10%. According to the Announcement of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and came into effect on April 1, 2019, the tax rate of 10% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 9%.

According to the Announcement of the SAT on Promulgating the Provisional Measures for the Administration of Levying Value-added Tax on Construction Services Provided across Counties (Cities or Districts) by Taxpayers (《國家稅務總局關於發佈〈納稅人跨縣（市、區）提供建築服務增值稅徵收管理暫行辦法〉的公告》) issued by the SAT on March 31, 2016 and revised on June 15, 2018, the tax pre-payable on the construction services that are provided across counties (cities or districts) by a general taxpayer and subject to taxation under the simple tax computation method shall be calculated at a pre-payment rate of 3% based on the balance of the obtained total consideration and other charges less the paid subcontract price.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL WELFARE

Labor Protection

On July 5, 1994, the SCNPC promulgated the Labour Law of the PRC (《中華人民共和國勞動法》), which was implemented since January 1, 1995 and last amended on December 29, 2018. On June 29, 2007, the SCNPC promulgated Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was implemented since January 1, 2008 and last amended on December 28, 2012. In addition, the State Council promulgated the Implementation Regulations on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) on September 18, 2008. Pursuant to the above-mentioned laws and regulations when an employer hires an employee, it should sign a written labour contract with the employee and the employees' salary must not be lower than the local minimum wage.

Social Insurance and Housing Provident Fund

As required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) issued by the SCNPC on October 28, 2010 and last amended on December 29, 2018 and the Provisions for Implementation of the Social Insurance Law of the PRC (《實施〈中華人民共和國社會保險法〉若干規定》) issued by the Ministry of Human Resources and Social Security of the PRC on June 29, 2011 and effective on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. When an employer fails to process social insurance registration, the social insurance administrative authority shall order the employer to make rectification within a prescribed period. Where an employer fails to make rectification within the prescribed period, it shall be liable for a fine of one to three times its assessed social insurance contribution. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within the prescribed period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such prescribed period, the relevant administrative authority may impose a fine equivalent to one to three times the overdue amount.

According to the Regulations concerning the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register with the competent managing centre for housing provident funds and complete procedures for opening an account for the deposit of employees' housing provident funds. For enterprises which fails to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period and if the relevant enterprises still fail to make corrections within the designated period, they shall be subject to a fine ranging from RMB10,000 to RMB50,000. Employers are required to contribute, on behalf of their employees, to housing provident funds. The employer shall make full contribution to the housing provident fund on time and no delay or under-contribution is allowed. Where an employer fails to pay or fully pay the housing provident fund, the housing provident fund management centre shall order it to make payment within the prescribed period; if it fails to make payment within such prescribed period, the centre may apply to the people's court for enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**") was promulgated by the SCNPC on September 7, 1990 and newly revised on November 11, 2020 and became effective from June 1, 2021. The Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) (the "**Copyright Implementation**") was promulgated by the State Council on May 30, 1991 and last amended on January 30, 2013. Under the Copyright Law, works of citizens, legal persons or unincorporated organisations of China, whether published or not, shall enjoy copyright. The natural person, legal person or unincorporated organisation named on a work as its author shall be the author of the work and have the corresponding rights to the said work, unless proven to the contrary. Authors and other copyright owners may complete the registration of their works with a registration agency recognized by the State copyright authority.

The Regulations on the Protection of Computer Software (《計算機軟件保護條例》) (promulgated by the State Council on June 4, 1991, and most recently amended on January 30, 2013 and taking into effect on March 1, 2013) and the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) issued by the National Copyright Administration on February 20, 2002 both apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyrights applicants which conforms to the provisions of both the Measures for Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and effective on April 1, 1985 and newly revised on October 17, 2020, and the Implementing Regulations of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by China Patent Office (which has been abolished) on January 19, 1985 and effective on April 1, 1985 and newly revised by the State Council on December 11, 2023, an invention or utility model for which a patent is granted shall be novel, inventive and practically applicable. The protection period is 20 years for an invention patent 10 years for a utility model patent and 15 years for design patent, commencing from their respective application dates. Any entity or individual that uses a patent of another party shall enter into a licensing contract with the patent owner and pay patent royalties to the patent owner. Any use of a patent without the permission of the patent owner constitutes an infringement of the patent right.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (promulgated by the SCNPC on August 23, 1982, came into effect on March 1, 1983 and revised on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (promulgated by the State Council on August 3, 2002 and effective on September 15, 2002 and revised on April 29, 2014). The trademark bureaus under the General Administration for Industry and Commerce (which has been abolished) are responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following 10 years. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademark. The trademark license contract shall be submitted to the trademark office for filing.

Domain names

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and came into force on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and 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.

REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and relevant five guidelines, which came into force on March 31, 2023.

The Trial Measures shall apply to the following overseas issuance: (i) direct overseas offerings and listings of domestic PRC companies, and (ii) indirect overseas offering and listing of a foreign company with major business operations and/or assets located in the PRC. An issuer will be qualified for the scenario (ii) above, if it satisfies both conditions below: (1) more than 50% of its audited financial indicators (operating revenue, profits, total assets or net assets) for the most recent accounting year are accounted for by the domestic companies of the issuer; and (2) major business activities or operations are conducted in the PRC, or main places of business are located in the PRC or the majority of senior management domicile in the PRC or are Chinese citizens. Despite the foregoing, regulators have the discretion to determine whether or not an overseas offering and listing is indirect on a substance over form basis. The securities subject to the Trial Measures include equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities.

According to the Trial Measures, an issuer shall submit required filing documents to the CSRC within three working days after the overseas listing application is submitted to the relevant overseas regulator or listing venue. Generally, once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days, conclude the review procedure and publish the filing results on the CSRC website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within five working days upon receipt of filing documents, request supplementation and amendment to the filing. Then the issuer has 30 working days to prepare any requested supplemented/amended filing. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of the following events involving the issuer: (1) change of control; (2) investigations or sanctions imposed by overseas regulators; (3) change of listing status; and (4) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under the Trial Measures, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three working days after the occurrence of such change in order to provide an explanation of the relevant situation.

The Trial Measures also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (1) offerings and listings are explicitly prohibited by laws and regulations; (2) offerings and listings may endanger national security; (3) the PRC domestic companies of the listing applicant or its controlling shareholder or actual controlling person are involved in criminal offenses in the last three years, such as corruption, bribery, embezzlement, misappropriation of property; (4) the listing is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (5) there are material ownership disputes over equity interests held by controlling shareholders (or by shareholders who are controlled by the controlling shareholder or actual controlling person).

If a domestic company fails to comply with the filing procedures as required, or if it is listed outside of China despite being prohibited from doing so, the CSRC shall order the domestic company to rectify the situation, issue a warning and impose a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A warning shall be given to the directly responsible officer and other directly responsible persons and a fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed. If the controlling shareholder or the actual controller of the domestic company organizes or instructs to engage in the above illegal acts, he shall be liable to a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed on the directly responsible officer and other directly responsible persons.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance 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 "**Provision on Confidentiality**"), which came into force on March 31, 2023. According to the Provision on Confidentiality, where any PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic companies providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuing to the relevant provisions of the State.