
REGULATORY OVERVIEW

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Our business operations in the PRC are subject to a large number of laws and regulations as well as extensive government supervision. This section sets out a summary of the major laws, regulations, rules and policies that may have a significant impact on our business operations in the PRC.

Laws and Regulations Relating to Business Operation

Treatment of municipal domestic waste

According to the Law of the PRC on Promoting Clean Production (《中華人民共和國清潔生產促進法》), which was last amended on February 29, 2012, and came into effect on July 1, 2012, new constructions, reconstructions and expansion projects shall conduct environmental impact assessments, analyze, and demonstrate aspects such as raw material use, resource consumption, comprehensive resource utilization, and pollutant generation and disposal. Such projects shall prioritize to adopting cleaner production technologies, processes, and equipments with high resource utilization rates and low pollutant generation. Entities that utilize waste in accordance with the law and produce products by recycling raw materials from waste shall enjoy tax preferential policies in accordance with national regulations.

According to the Administrative Measures for Municipal Domestic Waste (《城市生活垃圾管理辦法》), which was last amended on May 4, 2015, the construction of facilities for the collection and disposal of municipal domestic waste shall comply with the Municipal Domestic Waste Treatment Plan and other relevant national technical standards. Municipal domestic waste should be disposed of at municipal domestic waste transfer stations and treatment plants (sites). No entity or individual shall dispose of municipal domestic waste at will. Enterprises engaged in the commercial cleaning, collection, and transportation of municipal domestic waste shall obtain a license for such actions. The construction (environmental sanitation) authorities of directly-administered municipalities, cities, and counties shall make decisions on licensing for the commercial cleaning, collection, and transportation of municipal domestic waste through fair competition methods such as bidding, and shall issue licenses for commercial cleaning, collection, and transportation services of municipal domestic waste to the winning bidders.

According to the Administrative Measures for Franchise Operations of Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), which was last amended on March 28, 2024 and came into effect on May 1, 2024, franchise operators are granted the exclusive right to invest in, construct, operate, and obtain returns from specific infrastructures and public utility projects of the agreement (within the agreed-upon period). Meanwhile, franchise operators shall provide public goods or services that meet the quality and efficiency requirements as stipulated in the agreement, and shall be subject to supervision and management in accordance with the law. Local governments at all levels should standardize the promotion of franchise projects within the scope of their respective government responsibilities, and authorize relevant industry authorities, public institutions, etc. in accordance with laws and regulations, to serve as the implementing agencies for franchise projects of infrastructure, and public utilities. These agencies are responsible for the preparation, implementation, and supervision of franchise projects, with the content and scope of their authorization clearly defined. Franchise operators shall provide public goods or services universally, without discrimination to all users within the service areas specified in the franchise agreement, and shall not impose differential treatment on new users.

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According to the Administrative Measures on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》), which was last amended on May 4, 2015, and came into effect on the same day, the implementation of franchise operations for municipal public utilities shall adhere to the principles of openness, fairness, impartiality, and their priority should be given to public interests. Those who participate in the bidding for franchise rights shall meet the following conditions: (1) being a legally registered enterprise or a legal person; (2) having corresponding facilities and equipments; (3) having a good bank credit standing, financial status and corresponding debt – paying ability; (4) having corresponding work experience(s) and a good performance; (5) having a corresponding number of personnel in key positions in fields such as technical, financial and operational; (6) having a practical and feasible business plan; (7) other conditions specified in local laws and regulations. The terms of franchise operation shall be determined according to factors such as industry characteristics, scale, and operation mode, with the maximum duration not exceeding 30 years. If an enterprise that has obtained or is obtaining the franchise right needs to change its name, address, or legal representative, it shall inform the competent department in writing in advance, to obtain its consent. Where the competent department or the enterprise with the franchise right violates the agreement, the party at fault shall bear the liability for the breach of contract; if losses are caused to the other party, it shall bear the liability for compensation.

According to the Guiding Opinions of the State Council on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (《國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見》) promulgated and implemented by the State Council on November 16, 2014, the PRC government encourages social capital’s participation in the municipal infrastructure projects including urban water supply, waste water treatment and garbage disposal by concession, investment subsidy, government’s purchase of services and other methods and shall choose eligible operators in accordance with the law. The PPP mode mainly applies to the public services and infrastructure projects for which the government assumes the responsibility of provision and which are also suitable for market operation. The PPP mode may be adopted for gas, power supply, water supply, heating, sewage and waste disposal and other municipal facilities, highways, railways, airports, urban rail transit and other transportation facilities, health care, tourism, education and training, health, pension and other public service projects, as well as water conservancy, resources and environment, and ecological protection projects. The projects with clear basis for charges and operating charges capable of completely covering the investment costs may be promoted by Build-Operate-Transfer (“BOT”), Build-Own-Operate-Transfer (“BOOT”), and other modes, through the government’s grant of franchise rights. The construction and operation market of relevant projects shall be opened according to the law, to actively promote the gradual implementation of franchising in the natural monopoly industries.

Power generation

According to the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》) which was last amended on December 26, 2009, and came into effect on April 1, 2010, the PRC government encourages and supports the grid-connected power generation of renewable energy. For the construction of renewable energy grid-connected power generation projects, administrative permission shall be obtained to ensure grid safety or filing shall be submitted in accordance with the laws and the regulations of the State Council. Power generation enterprises shall be obliged to cooperate with power grid enterprises. Power generation enterprises shall truthfully and completely record and preserve relevant materials on renewable energy power generation, and to accept the inspection and supervision by power regulatory authorities.

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According to the Administrative Measures for Electric Power Business Licenses (《電力業務許可證管理規定》), which was last amended on January 4, 2024 and came into effect on March 1, 2024, any entity or individual engaged in electric power business operations must obtain an electric power business license. Unless under special circumstances specified by the Electricity Regulatory Commission of the PRC government, no entity or individual may engage in any electric power businesses without such a license. Electric power regulatory authorities shall establish and improve a supervision and inspection system for electric power business licensing to oversee whether licensees operate in compliance with the conditions, scope, and obligations stipulated in their electric power business licenses. Regulatory agencies shall conduct inspections in accordance with the law, and licensees shall cooperate with such inspections. If any entity or individual engages in electric power businesses without obtaining a license in accordance with the law, they shall be subjected to corrective actions, confiscate illegal gains, and a fine of up to five times the illegal proceeds by relevant authorities. If the violation constitutes a crime, criminal liability shall be pursued in accordance with the law.

According to the Trial Measures for the Administration of Renewable Energy Power Generation Pricing and Cost Allocation (《可再生能源發電價格和費用分攤管理試行辦法》) which was promulgated on January 4, 2006, and came into effect on the same day, the pricing of renewable energy power generation shall be implemented in two forms: government-set prices and government-guided prices. The government-guided prices refer to the winning prices determined through bidding. Renewable energy power generation enterprises and power grid enterprises must truthfully and completely record and preserve relevant materials such as the quantity, price, and amount of renewable energy power generation traded on the grid. They shall accept inspections and supervision by the competent price departments, power regulatory authorities, and auditing departments.

Circular Economy Promotion Law

According to the Circular Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》), promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on August 29, 2008, effective from January 1, 2009, and last amended on October 26, 2018, the term “circular economy” refers to a generic term for the reducing, reusing, and recycling activities conducted in the process of production, circulation, and consumption. Among these, the term “reusing” refers to using wastes as a product directly, using wastes after repair, renewal or reproduction or using part or all wastes as components of other products; the term “recycling” refers to using wastes as raw materials directly or after regeneration. Developing a circular economy is an important strategy for the economic and social development of the state. In the process of re-utilizing and recycling wastes, production safety shall be guaranteed so as to ensure that product quality satisfy the state standards and prevent the secondary pollution.

Recycling of Resources

According to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on October 30, 1995, effective from April 1, 1996, and last amended on April 29, 2020, the prevention and control of environmental pollution by solid wastes adhere to the principles of reduction, recycling, and soundness. The competent department of ecological and environmental protection of the State Council shall, in collaboration with relevant departments of the State Council, develop a national list of hazardous waste, which shall be adjusted dynamically. Entities engaged in operations of the collecting, storing, utilizing, or disposing of hazardous waste shall apply for a permit in accordance with the relevant provisions issued by the state.

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According to the Measures for the Administration of Permit for Operation of Dangerous Wastes (《危險廢物經營許可證管理辦法》), promulgated by the State Council on May 30, 2004, effective from July 1, 2004, and last amended on February 6, 2016, any entity undertaking the business activities of collection, storage, and disposal of dangerous wastes within the territory of the PRC shall obtain the permit for operation of dangerous wastes. The permit for operation of dangerous wastes shall be divided into the permit for comprehensive operation of the collection, storage, and disposal of dangerous wastes and the permit for operation of the collection of dangerous wastes in light of the ways of business operation.

Hazardous Chemical Operations

According to the Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) (formerly known as Hazardous Chemical Goods Safety Administration Regulation (《化學危險物品安全管理條例》)), which were promulgated by the State Council on February 17, 1987, came into effect on the same date, and were last amended on December 7, 2013, the hazardous chemicals catalog is determined, pronounced, and properly adjusted by the State Council’s work safety supervision and administration department in conjunction with other relevant departments, based on the standards for identifying and classifying the hazardous properties of chemicals.

According to the Measures for the Administration of the Permits for Trading in Hazardous Chemicals (《危險化學品經營許可證管理辦法》) issued by the former State Administration of Work Safety (now the Ministry of Emergency Management of the PRC) on July 17, 2012, effective from September 1, 2012, and last amended on May 27, 2015, the State has established a licensing system for the operation, including storage operation, of hazardous chemicals listed in the catalog of Hazardous Chemicals within the territory of the PRC. Enterprises engaged in the operation of these hazardous chemicals are required to obtain a hazardous chemical operation license in accordance with this measure. However, enterprises producing hazardous chemicals that have obtained a Hazardous Chemicals Safety Production license in accordance with the law are exempted from the requirement to obtain a Hazardous Chemicals Operation license for the sale of their own produced hazardous chemicals within their factory premises. The operation of hazardous chemicals without the required operation license is punishable under the relevant provisions of the Work Safety Law of the PRC for the unauthorized production, operation and storage of hazardous substances. If such actions constitute a criminal offense, legal proceedings will be initiated to hold the responsible parties accountable.

Laws and Regulations Relating to Land Use Rights, Construction Land Planning Permit and Construction Work Planning Permit

Land use rights

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, last amended on August 26, 2019, and brought into effect from January 1, 2020, lands owned by the PRC government might be transferred or allotted to construction entities or individuals in accordance with the law. According to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated on November 24, 2014, last amended on March 10, 2024, and brought into effect on May 1, 2024, the real estate registration shall be conducted by the real estate registration authorities of the people’s government at or above the county level.

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020, and implemented on January 1, 2021, the creation, alteration, alienation, or extinguishment of a real right of the immovable property that is required by law to be registered, becomes effective at the time when it is recorded in the registration of immovable property. The real right certificate for immovable property is the proof of a right holder’s entitlement to the real right in the immovable property.

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The Interim Regulations on Real Estate Registration and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated on January 1, 2016, last amended on May 9, 2024, and brought into effect on May 21, 2024, provide that, among others, the PRC government implements a uniform real estate registration system, and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

Construction land planning permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007, implemented on January 1, 2008 and amended on April 24, 2015, and April 23, 2019, respectively, a construction land planning permit is required for the right to use the state-owned land acquired by transfer and allocation.

If a construction entity which is authorized to use the land fails to obtain a construction land use planning permit, the people’s government at or above the county level shall revoke any relevant approval document(s). If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to laws.

Construction work planning permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), to build any building, structure, road, pipeline, or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a construction work planning permit. The permit can be obtained from a competent urban and rural planning administrative department of the people’s government at the municipal or county level or from the people’s government of town as recognized by the people’s government of a province, autonomous region, or municipality and is directly under the PRC government.

For construction work that proceeds without the construction work planning permit or is in violation of the provisions of the construction work planning permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order the construction entity to take remedial action within a prescribed time limit and pay a fine of no less than 5% but not exceeding 10% of the construction cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall confiscate it or seize any illegal income. They may also be liable to a fine of no more than 10% of the construction cost.

Laws and Regulations Relating to Environmental Protection, Work Safety and Energy Conservation Review

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was last amended by the SCNPC on April 24, 2014 and came into effect on January 1, 2015, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

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Pursuant to the Law of Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) (Order No. 77 of the PRC President, effective on September 1, 2003 and amended on July 2, 2016, and December 29, 2018 respectively), Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) (Order No. 253 of the State Council, effective on November 29, 1998 and amended on July 16, 2017), where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), last amended on April 29, 2020, by the SCNPC and came into effect on September 1, 2020, the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), last amended on June 27, 2017, by the SCNPC and came into effect on January 1, 2018, and the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), last amended by the SCNPC on October 26, 2018 and took effect on the same day, any entity or individual that generates, collects, stores, transports, utilizes or disposes of solid waste shall take measures to prevent or reduce the (pollution of solid waste to the environment,) and shall be responsible for the environmental pollution caused (in accordance with the law.) Where hazardous waste exists in solid waste, it shall be managed in accordance to the respective company’s hazardous waste management. Enterprises, institutions and other production and operation entities directly or indirectly discharging industrial waste water and medical sewage to water bodies, and the enterprises, institutions and other production and operation entities required to obtain a Pollutant Discharging Permit before discharging waste water and sewage waste must obtain the pollutant discharging permit. Enterprises and institutions that emit industrial waste gas or toxic and hazardous air pollutants listed in the catalog published according to Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution, as well as other entities that implement administration of pollution discharge permits in accordance with the law, shall obtain a pollutant discharging permit.

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated on January 24, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated on April 1, 2024, the PRC government implements classified pollutant discharge permit management (i.e., key and simplified management) on pollutant discharges of enterprises based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact the pollutants have on the environment. Enterprises, institutions and other production and operation entities that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a Pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

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According to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013, and came into effect on January 1, 2014, the Competent Urban Drainage Department shall sign a maintenance and operation contract with the Maintenance and Operation Entity of urban sewage treatment facilities, specifying the rights and obligations of both parties. The Maintenance and Operation Entity of urban sewage treatment facilities shall ensure that the effluent quality meets the discharge standards stipulated by the state and local authorities, and shall not discharge sub-standard sewage. The Maintenance and Operation Entity of urban sewage treatment facilities or the sludge treatment and disposal entity shall safely treat, and dispose of sludge, ensure that the sludge after treatment and its disposal meets the relevant national standards, track and record the sludge generated, as well as the destination, use and dosage of the sludge after treatment and disposal, and report to the Competent Urban Drainage Department and the Competent Environmental Protection Department. No entity or individual shall arbitrarily dump, stack, discard or scatter sludge. The Maintenance and Operation Entity of urban drainage and sewage treatment facilities shall establish and improve safety production management systems, strengthen daily inspections, repair and maintain urban drainage and sewage treatment facilities, such as manhole covers, and ensure the safe operation of the facilities.

Work Safety

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (Order No.70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009, August 31, 2014, and June 10, 2021 respectively), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

In addition to general work safety requirements, for newly constructed, renovated, or expanded construction projects, according to the Measures for the Supervision and Management of “Three Simultaneities” in Safety Facilities of Construction Projects (《建設項目安全設施“三同時”監督管理辦法》) (the “**Measures for Safety Facilities of Construction Projects**”) issued by the former State Administration of Work Safety (now the Ministry of Emergency Management of the PRC) on December 14, 2010, and amended on April 2, 2015, the safety facilities in new construction, renovation, or expansion projects must be designed, constructed, and put to use simultaneously with the main body of the project. For construction projects specifically stipulated in the Measures for Safety Facilities of Construction Projects, production and operation entities shall engage qualified safety evaluation agencies to conduct safety pre-evaluation and safety acceptance evaluation for their construction projects. If an enterprise violates the relevant regulations, it may be ordered to stop construction or stop production or business operation for rectification, order it to make correction within a certain time limit, and imposed a fine.

Pursuant to the Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical entities shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise shall only designated employees having such qualification to assume the post.

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Fire Prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) last amended by the SCNPC and came into effect from April 29, 2021, the emergency management departments of the State Council and local people’s governments at or above the county level are responsible for supervising and managing fire prevention work. The fire prevention design and construction of construction projects must comply with the national fire prevention technical standards for engineering construction. The employer, as well as the designing, construction, project supervision and other entities, shall be responsible for the quality of fire protection design and construction according to law.

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was revised by the Ministry of Housing and Urban-Rural Development of the PRC on August 21, 2023, and came into effect on October 30, 2023, the construction entity bears primary legal responsibility for the fire prevention design and construction quality of construction projects. A fire safety design review and acceptance system is implemented for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects must be filed with the competent authority.

Energy Conservation Review

According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) promulgated by the SCNPC on November 1, 1997, effect from January 1, 1998 and last amended on October 26, 2018, the State implements rules for the energy conservation assessment and examination of fixed asset investment projects. The construction entity shall not commence the construction of a project that does not comply with compulsory energy conservation standards; and if the project has been completed, it shall not be put into production and use.

According to the Measures for the Energy Conservation Examination and Carbon Emission of Fixed Asset Investment Projects (《固定資產投資項目節能審查和碳排放評價辦法》) issued by the NDRC on July 17, 2025, the opinion on the energy conservation examination of a fixed-asset investment project is an important basis for the construction, acceptance inspection, and operation management of the project. For an enterprise investment project, the construction employer shall, before commencing construction, obtain the energy conservation examination opinion issued by the energy conservation examination authority. The construction employer shall not commence the construction of a project that fails to undergo the energy conservation examination in accordance with the provisions of these Measures or fails to pass the energy conservation examination, and if the project has been completed, it shall not be put into production or use.

Laws and Regulations Relating to Employment

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the PRC President, effective on January 1, 2008 and amended on December 28, 2012) and the Regulations on Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council, effective on September 18, 2008) provide for the establishment of labor relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. In the event that no written labor contract is signed at the time when a labor relationship is established, such contract shall be signed within one month as of the date when the employing enterprise employs the employee.

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Pursuant to Social Insurance Law of the PRC (《中華人民共和國社會保險法》), (Order No.35 of the PRC President, effective on July 1, 2011, and amended on December 29, 2018), Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No.259 of the State Council, effective on January 22, 1999 and amended on March 24, 2019), Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No. 504 [1994] the Ministry of Labor, effective on January 1, 1995), Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No. 375 of the State Council, effective on January 1, 2004 and amended on December 20, 2010), and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council, effective on April 3, 1999 and amended on March 24, 2002, March 24, 2019, respectively), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people’s court for compulsory enforcement.

Laws and Regulations Relating to Foreign Investment

According to the Company Law of the PRC (《中華人民共和國公司法》), which was approved by the SCNPC on December 29, 1993 and subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023, and the latest amended version of which was effective on July 1, 2024, a company established under the PRC laws and within the territory of the PRC may take the form of a limited liability company or a company limited by shares. The Company Law of the PRC shall also be applicable to foreign-invested limited liability companies and companies limited by shares, unless otherwise provided by the relevant laws and regulations.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)(2024年版)》), the “Negative List (2024 Edition)”, which was amended and promulgated by the MOFCOM and the NDRC on June 6, 2024 and took effective on November 1, 2024. The Negative List (2024 Edition) set out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List (2024 Edition) covers 11 industries, and any field not falling in the Negative List (2024 Edition) shall be administrated under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”) was promulgated by SCNPC on March 15, 2019 and became effective on January 1, 2020. After the Foreign Investment Law came into force, the Law on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as foreign investors) directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law: (1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; (2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; (3) investing by foreign investors in new projects in China alone or jointly with other investors; (4) other forms of investment prescribed by laws, administrative regulations or the State Council.

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On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the MOFCOM issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020. After the Measures for the Reporting of Foreign Investment Information came into effect, the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) has been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Laws and Regulations Relating to Overseas Investment

The Measures for Overseas Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), which was promulgated by the NDRC on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

REGULATORY OVERVIEW

Laws and Regulations Relating to Intellectual Property

Copyright and Software Registration

The SCNPC promulgated the Copyright Law (《中華人民共和國著作權法》) in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilization and promote the development and prosperity of socialist cultural and scientific pursuit.

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on December 20, 2001 and amended in 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 and amended in 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The 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.

REGULATORY OVERVIEW

Patent

The SCNPC promulgated the Patent Law of the PRC (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, domain names are registered on a “first-come, first-served” basis. The domain names registered or used by an organization or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and last amended on December 6, 2024, (collectively, the “**EIT Law**”), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes has no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

REGULATORY OVERVIEW

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; and where the original applicable tax rate is 10%, the tax rate will be adjusted to 9%.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Weighted Value-added Tax Deduction Policy for Advanced Manufacturing Enterprises (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration) (《財政部、稅務總局關於先進製造業企業增值稅加計抵減政策的公告》(財政部、國家稅務總局公告[2023]年第43號)) published on September 3, 2023, and effective from January 1, 2023, advanced manufacturing enterprises are allowed to deduct weighted 5% of the current deductible input tax amount from the Value-added Tax payable during the period from January 1, 2023, to December 31, 2027.

Laws and Regulations Relating to Foreign Exchange Control

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control 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》) promulgated on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice of the State Administration of Foreign Exchange 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 promulgated on October 23, 2019 and amended by SAFE Notice on Further Deepening the Reform 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 promulgated on December 4, 2023, foreign-invested enterprises 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 the law on the condition that the current Special Administrative Measures for Access of Foreign Investment (Negative List) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

REGULATORY OVERVIEW

The principal regulations governing dividends distributions by companies is the Company Law of the PRC. PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Laws and Regulations Relating to Overseas Listing

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 “**Overseas Listing Trial Measures**”) and relevant guidelines on February 17, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of the PRC domestic companies, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek overseas offering and listing, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and submit relevant information. The Overseas Listing Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) listing and financing is explicitly prohibited by provisions in the PRC laws, administrative regulations or relevant State regulations; (ii) overseas offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with the law; (iii) the domestic enterprises or their controlling shareholders or actual controllers have committed crimes such as corruption, bribery, embezzlement of property, misappropriation of property or disruption of the order of the socialist market economy during the latest three years; (iv) the domestic enterprises are under official investigation in accordance with the law for any suspected crime or severe violations of laws and regulations without any explicit conclusions; or (v) there are major ownership disputes over the stock rights held by the controlling shareholders and/or such shareholders as controlled by the controlling shareholders or actual controllers.

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 Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality Provisions**”), which became effective from March 31, 2023. Pursuant to the Confidentiality Provisions, where a domestic enterprise 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 enterprises 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 pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.