REGULATIONS RELATING TO COMPANY

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "Company Law"), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "SCNPC") on 29 December 1993 and came into effect on July 1,1994. The Company Law was subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023. The last amended Company Law became effective on 1 July 2024. The Company Law generally governs two types of companies: limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the shareholders of a limited liability company are liable to the company to the extent of the amount of capital contributions they have made; while the shareholders of a joint stock limited company are liable to the company to the extent of shares they have subscribed for. The Company Law also applies to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail.

REGULATIONS RELATING TO FOREIGN INVESTMENT

On 15 March 2019, the National People's Congress (the "NPC") promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "Foreign Investment Law"). The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. On 26 December 2019, the State Council of the People's Republic of China ("the State Council") promulgated the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "Implementation Rules") to clarify and elaborate the relevant provisions of the Foreign Investment Law, which further clarifies that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimise foreign investment environment, and advances a higher-level opening. The Foreign Investment Law and the Implementing Rules both took effect on 1 January 2020 and repealed the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》).

On 26 October 2022, the MOFCOM and the NDRC released the Catalogue of Encouraged Industries for Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "Encouraged Catalogue") which became effective on 1 January 2023. On 6 September 2024, MOFCOM and the NDRC released the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》)(the "Negative List") which became effective on 1 November 2024. The Encouraged Catalogue and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged", "restricted" and "prohibited". Foreign investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment.

REGULATIONS RELATING TO OUTBOUND INVESTMENT

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on 6 September 2014 and implemented on 6 October 2014, the MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017 and implemented on 1 March 2018, a domestic enterprise making an outbound investment shall obtain approval or conduct record-filing for outbound investment projects, report relevant information, and cooperate with the supervision and inspection. Sensitive projects carried out by a domestic enterprise directly or through overseas enterprises controlled by it shall be subject to approval, specifically, including projects involving sensitive countries and regions and sensitive industries; non-sensitive projects directly carried out by investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing.

The List of Sensitive Sectors for Overseas Investment (2018 Version) (《境外投資敏感行業目錄(2018年版)》), which was promulgated by the NDRC on 31 January 2018 and came into effect on 1 March 2018, details the sensitive sectors for overseas investment, including development, manufacturing and maintenance of arms, cross-border water resources development and utilisation, news and media, among others.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) promulgated on 12 May 1994 and last amended on 30 December 2022 by the SCNPC, foreign trade operators engaged in the import and export of goods or technology do not need to register with the foreign trade authority under the State Council or its authorised agencies, which shall grant a license to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing; where automatic licensing formalities have not been completed, the Customs shall not grant clearance. For technologies that are free for import and export, the relevant contracts must be registered with the foreign trade department of the State Council or its authorised agency.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 and last amended on 29 April 2021, the Customs of the People's Republic of China is the entry and exit customs supervision and administration authority of the PRC. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

Pursuant to the Regulations of Customs on Administration of Recordation of Declaration Entities of the RRC (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs on 9 November 2021 and effective as at 1 January 2022, customs declaration entities are defined as consignees and consignors of import and export goods, as well as customs declaration enterprises registered with customs. To apply for recordation, consignees, consignors, and customs declaration enterprises must first obtain market entity qualification; among them, consignees and consignors of import and export goods must also complete foreign trade operator recordation. The recordation of customs declaration entities is valid indefinitely, whereas temporary recordation is valid for one year and may be renewed upon expiration through reapplication.

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) which was promulgated by the SCNPC on 21 February 1989 and last amended on 29 April 2021, and the Implementation Regulations on the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) which was promulgated by the State Council on 31 August 2005 and last revised on 29 March 2022, the entry-exit inspection and quarantine authorities shall conduct inspection on the import and export commodities listed in the catalogue and other import and export commodities that shall be subject to inspection by the entry-exit inspection and quarantine authorities as prescribed by laws and administrative regulations. For the import and export commodities other than those that are subject to statutory inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities may conduct random inspection in accordance with state regulations. No import commodity subject to statutory inspection that has not been inspected could be sold or used. No export commodity subject to statutory inspection that has not been inspected or fails to pass the inspection could be exported.

REGULATIONS RELATING TO SAFE PRODUCTION

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (the "Work Safety Law") promulgated by the SCNPC on 29 June 2002 and last amended on 10 June 2021, entities engaged in production and business operations within the territory of the PRC must comply with the Work Safety Law and other laws and regulations concerning work safety, strengthen work safety management, establish and improve a work safety responsibility system as well as work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardisation and informatisation of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. The Work Safety Law stipulates provisions on guarantee of safety by production and business operation entities, rights and obligations of employees relating to work safety, supervision and administration of work safety, emergency rescue, investigation, and handling of work safety accidents and legal responsibilities.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law") promulgated by the SCNPC on 26 December 1989 and last amended on 24 April 2014, any enterprises, public institutions and other producers and operators which discharge pollutants must take measures to prevent and control waste gas, waste water, waste residue, medical waste, dust, malodorous gases, radioactive substances, and noise, vibrations, light radiation, electromagnetic radiation, and other environmental pollution and hazards produced during the course of production, construction or other activities.

According to the provisions of the Environmental Protection Law, the competent department of environmental protection under the State Council formulates the national pollutant discharge standards according to the national environmental quality standards and national economic and technical conditions. The People's Governments of provinces, autonomous regions and municipalities may formulate local pollutant discharge standards for items not specified in the national pollutant discharge standards; with regard to items already specified in the national pollutant discharge standards, they may formulate local pollutant discharge standards that are more stringent than the national pollutant discharge standards. The local pollutant discharge standards shall be submitted to the competent department of environmental protection under the State Council for record.

According to the provisions of the Environmental Protection Law, in case of preparing any development and utilisation plan and constructing any project with impacts on the environment, the environmental impact assessment must be carried out in accordance with laws and regulations. Any development and utilisation plans failing to carry out environmental impact assessment in accordance with laws and regulations must not be implemented; for any construction project failing to carry out environmental impact assessment in accordance with laws and regulations, the construction must not be commenced. Any facility for preventing and control of pollution in a construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled without permission or left idle.

Construction Project Environmental Protection

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on 29 December 2018 and last amended on 29 December 2018, the Regulation on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on 16 July 2017 and last revised on 16 July 2017, and the Interim Measures for Environmental Protection Acceptance Inspection Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on 20 November 2017 and came into effect on the same day, the PRC implements an environmental impact assessment system for construction projects. Prior to the commencement of a construction project, the construction entity must submit an environmental impact report, an environmental impact statement for approval, or an environmental impact registration form for filing, as required by the competent environmental protection administrative department under the State Council. Furthermore, upon completion of a construction project for which an environmental impact report or statement has been prepared, the construction entity must conduct an acceptance inspection of the supporting environmental protection facilities in accordance with the standards and procedures prescribed by the competent environmental protection administrative department under the State Council, and prepare an acceptance report. For projects constructed or put into operation in phases, the corresponding environmental protection facilities must undergo phased acceptance inspections. The construction project may only be put into production or use after the supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not undergone or failed the acceptance inspection are prohibited from being put into production or use.

Prevention and Control of Various Types of Pollution

The Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which was promulgated by the SCNPC on 11 May 1984 and last amended on 27 June 2017, together with the Law on Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》), which was promulgated by the SCNPC on 5 September 1987 and last amended on 26 October 2018, the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和 國噪聲污染防治法》), which was promulgated by the SCNPC on 24 December 2021, and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC on 30 October 1995 and last amended on 20 April 2020, prescribe the requirements for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste respectively.

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), which was promulgated on 1 April 2024 and implemented on 1 July 2024, and the Regulations on the Administration of Pollution Discharge Permits (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and took effect on 1 March 2021, and the Administration Measures for Pollution Discharge Licensing (《排污許可管理辦法》) promulgated by the PRC Ministry of Ecology and Environment (the "MEE") on 1 April 2024 and took effect on 1 July 2024, enterprises, public institutions and other producers and operators under the administration of discharge permits shall apply for and obtain a pollutant discharge license and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Guidelines for Registration of Stationary Pollution Sources (for Trial Implementation) (《固定污染源排污登記工作指南(試行)》) promulgated by the General Office of the MEE on 6 January 2020, where the amount of pollutants produced, discharged and the impact on the environment is slight, such enterprises do not need to apply for the pollutant discharge permit, but are required to register for the discharge of pollution of stationary sources.

REGULATIONS RELATING TO FIRE PREVENTION

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "Fire Prevention Law") was promulgated by the SCNPC on 29 April 1998, became effective on 1 September 1998 and was last amended and implemented on 29 April 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. For a construction work that should be inspected for fire prevention pursuant to law, if it is put into use failing to undergo or pass the fire protection inspection, the competent housing and urban-rural development authority and the fire rescue agency shall, within their respective jurisdictions, order the suspension of construction, cessation of use, or stoppage of production or business operations, and concurrently impose a fine ranging from RMB30,000 to RMB300,000.

According to the Interim Regulations on the Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated on 1 April 2020, last amended on 21 August 2023, and took effect on 30 October 2023, an examination system for fire prevention design and acceptance shall be implemented for special construction projects, and a record-filing and spot check system shall be implemented for other construction projects.

REGULATIONS RELATING TO REAL PROPERTIES

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 25 June 1986, last amended on 26 August 2019 with effect from 1 January 2020, lands owned by the State may be allocated to be used by units 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》), which was promulgated by the State Council on 24 November 2014, last amended on 10 March 2024 and came into effect on 1 May 2024, the real estate registration shall be conducted by the real estate registration authority 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 28 May 2020, and implemented on 1 January 2021, the creation, alteration, transfer, or extinguishment of a real right in 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.

According to the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010, and effective on 1 February 2011, within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. In violation of the foregoing provisions, it may be ordered to rectify within a specified period. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on 12 March 1984, most recently amended on 17 October 2020 and effective on 1 June 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which were promulgated by the State Council on 15 June 2001 and most recently amended by the State Council on 11 December 2023 and effective on 20 January 2024, provide for three types of patents: "invention", "utility model" and "design". "Invention" refers to any new technical solution in relation to a product, or a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of colour, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on 23 August 1982 and last amended on 23 April 2019, and the Implementation Rules 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 on 3 August 2002 and last amended on 29 April 2014, trademarks approved by and registered with the Trademark Office are registered trademarks, including good marks, service marks, collective marks and certification marks. The valid period of a registered trademark is ten years, commencing from the date of the registration. For continuous use of the registered trademark, the trademark registrant is required to apply for renewal within twelve months before the expiry date. The valid period for each renewal of registration is ten years, commencing from the date immediately following the expiration of the previous validity period of the trademark.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020, and effective as at 1 June 2021, works of Chinese citizens, legal persons, or unincorporated organisations-defined as intellectual achievements in the fields of literature, art, and science that are original and can be expressed in a certain form, whether published or not–are entitled to copyright protection in accordance with the law. Copyright encompasses a series of personal and property rights, including but not limited to the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work, and the right of reproduction.

Pursuant to 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 20 February 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), promulgated by the State Council on 4 June 1991, last amended on 30 January 2013, and effective on 1 March 2013, the National Copyright Administration is the competent governmental authority responsible for the nationwide administration of software copyright registration. The China Copyright Protection Centre is designated as the software registration authority, which shall issue registration certificates to computer software copyright applicants in accordance with the Measures for the Computer Software Copyright Registration and the Regulations on the Protection of Computer Software.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology (the "MIIT") on 24 August 2017 and effective on 1 November 2017, the MIIT supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/her/it.

REGULATIONS RELATING TO EMPLOYMENT AND LABOUR PROTECTION

Labour Law and Labour Contracts

According to the Labour Law of the PRC (《中華人民共和國勞動法》) (the "Labour Law") promulgated by the SCNPC on 5 July 1994 and last amended on 29 December 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labour safety and health system, strictly implement national standards and protocols on labour safety and health, conduct labour safety and health education for workers, guard against labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with relevant national standards.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007 and last amended on 28 December 2012, and the Implementation Rules of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (the "Implementation Regulations of the Labour Contract Law") promulgated by the State Council on 18 September 2008 and took effect on the same date set out specific provisions in relation to the execution, the terms and the termination of a labour contract and the rights and obligations of the employees and employers, respectively. Pursuant to the provisions of the Labour Contract Law and the Implementation Regulations of the Labour Contract Law, at the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about. An employer shall enter into a written labour contract with an employee to establish a labour relationship.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018, and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on 22 January 1999 and amended on 24 March 2019, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. Employers who failed to promptly make social insurance contributions in full amount shall be ordered by the social insurance collection agency to make or supplement contributions within a prescribed time limit, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within prescribed time limit, the relevant administrative authorities shall impose a fine ranging from one to three times the outstanding amount.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, the employer shall go through the housing provident fund contribution registration with the housing provident fund management centre, and apply for the establishment of housing provident fund account for its employees. Each employee can only have one housing provident fund account. Employers are required to make contributions to housing provident funds for their employees. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in such payment will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the People's Court. The contribution ratio of employee and employer's housing provident fund shall not be less than 5% of the employee's monthly average salary in the previous year. Cities with favourable conditions can appropriately adjust the contribution ratio.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated by the NPC on 16 March 2007, most recently amended on 29 December 2018 and effective on the same date, and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on 6 December 2007, most recently amended on 6 December 2024 and effective on 20 January 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in the PRC in accordance with the law, or which are set up in accordance with the law of a foreign country (region) whose actual administration institution is in the PRC. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in the PRC, but which have institutions or establishments in the PRC, or have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% preferential tax rate for Enterprise Income Tax.

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 13 December 1993 and last revised on 19 November 2017, and the Detailed Rules for the Implementation of the Interim 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 (the "MOF") on 25 December 1993 and last amended on 28 October 2011, entities and individuals that sell goods or labour services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of mainland China are taxpayers of value-added tax, or the VAT, and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

Pursuant to the Notice of the MOF and the STA on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") on 4 April 2018, and which became effective on 1 May 2018, the VAT 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 Circular on Policies in Relation to the Deepening of Value-added Tax Reforms (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the MOF, the STA and the General Administration of Customs on 20 March 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers' VAT taxable sales or goods import shall be adjusted to 13% and 9%, respectively.

The Value-added Tax Law of the PRC (《中華人民共和國增值稅法》) ("the VAT Law"), promulgated by the SCNPC on 25 December 2024, will come into effect and repeal the Interim Regulations of the PRC on Value-added Tax on 1 January 2026. Under the VAT Law, the VAT rate, for selling goods, providing processing, repair and replacement services and tangible movables leasing services or importing goods will be 13%, for selling transport services, postal services, basic telecommunications, buildings, or real property leasing services, selling real property, transferring land use rights, or selling or importing certain goods specified in the VAT Law will be 9%, for selling services or intangible assets will be 6%, and for exporting goods will be 0%, and the levy rate of VAT to which the simple tax computation method applies is 3%.

Urban Maintenance and Construction Tax and Education Surcharge

According to the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》) promulgated by the SCNPC on 11 August 2020, and effective on 1 September 2021, the entities and individuals that pay value-added tax and consumption tax within the territory of the PRC are the taxpayers of urban maintenance and construction tax and shall pay the urban maintenance and construction tax. Urban maintenance and construction tax is calculated based on the actual amount of value-added tax and consumption tax paid by the taxpayer according to the law. The urban maintenance and construction tax shall be paid on the basis of net of the amount of VAT refunded by the end-of-period tax credit rebate in accordance with relevant regulations. No urban maintenance and construction tax shall be levied on the value-added tax and consumption tax paid for the imported goods or for the sales of labour services, services and intangible assets in China by overseas entities or individuals. Urban maintenance and construction tax rates are as follows: (1) If the taxpayer is located in an urban area, the tax rate is 7%; (2) If the taxpayer is located in a county or town, the tax rate is 5%; (3) If the taxpayer is not located in the urban area, county or town, the tax rate is 1%.

According to the Provisional Regulations on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and last amended on 8 January 2011, the entities and individuals that pay consumption tax, value-added tax and business tax, except entities that pay the rural education surcharge, shall pay education surcharge. The education surcharge is calculated based on the actual amount of value-added tax, business tax and consumption tax paid by each entity and individual, and the education surcharge rate is 3%, which is paid at the same time as value-added tax, business tax and consumption tax, respectively.

Stamp Duty

In accordance with the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of the PRC are the taxpayers of stamp duty and shall pay the stamp duty. Entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of the PRC to be used within the territory of the PRC are also subject to stamp duty.

The taxable certificates include written contracts (such as loan contracts, financial leasing contracts, purchase and sales contracts, work contracts, construction project contracts, transportation contracts, technology contracts, lease contracts, custody contracts, warehousing contracts, property insurance contracts, etc.), property rights transfer certificates, business accounting books, securities transactions, and others.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The Regulations on Foreign Exchange Administration of the People's Republic of China (the "Foreign Exchange Administration Regulations") was promulgated by the State Council on 29 January 1996 and most recently revised on 5 August 2008, which aims to strengthen foreign exchange management, promotion of international fiscal balance and promotion of healthy development of national economy. According to the Foreign Exchange Administration Regulations, foreign exchange items are categorised into current accounts and capital accounts. For the settlement and sale of foreign exchange under current accounts (e.g., trade in goods, trade in services, dividends, bonuses, etc.), transactions may be conducted in foreign currency without prior approval from the SAFE, provided that certain procedural requirements are complied with. For capital accounts, domestic organisations and individuals who make overseas direct investments or engage in the overseas issuance and trading of negotiable securities and derivatives shall register in accordance with the requirements of the foreign exchange administration authority of the State Council. If the state requires prior approval by or filing with relevant competent authorities, the approval or filing procedures shall be gone through prior to the foreign exchange registration. Overseas organisations and overseas individuals making direct investments in China shall, upon approval by the relevant competent authorities, process registration formalities with the foreign exchange administrative authorities. Overseas organisations and overseas individuals engaging in issuance and trading of quoted securities or derivatives in China shall comply with the market entry provisions of the State and process registration formalities pursuant to the provisions of the foreign exchange administrative department of the SAFE.

According to the Circular of the SAFE 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》) which was promulgated by the SAFE on 9 June 2016 and effective on the same date, the settlement of foreign exchange under the capital account (including foreign exchange capital, external debts funds, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks for real business needs. The use of foreign exchange under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement are prohibited from the following uses: (i) direct or indirect expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State; (ii) direct or indirect investments in securities or other investments than banks' principal-secured products, unless otherwise provided; (iii) granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

The Circular of the State Administration for Foreign Exchange on Optimising Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), promulgated by the SAFE on 10 April 2020 and effective on the same date, clearly state that the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction.

REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING

On 17 February 2023, the China Securities Regulatory Commission (the "CSRC") released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including 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") together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the "New Regulations on Filing"), which was implemented on 31 March 2023. Under New Regulations on Filing, overseas securities issuance and listing activities by domestic enterprises shall comply with the laws, administrative regulations and relevant national rules on foreign investment, state-owned assets management, industrial supervision, overseas investment, cyber security, and data security etc., and shall not disturb the domestic market order or do harm to national interests, social public interests, and the legitimate rights and interests of domestic investors.

An issuer seeking an overseas initial public offering or listing shall, within 3 working days after submitting the issuance and listing application documents overseas, file a registration with the CSRC and submit the filing report, legal opinions, and other relevant documents, ensuring a true, accurate, and complete description of shareholder information. Once the filing documents are complete and comply with the stipulated requirements, the CSRC will, within 20 working days of receiving such documents, conclude the review procedure and publish the filing results on its official website. If the filing documents are incomplete or do not conform to the stipulated requirements, the CSRC will, within 5 working days of receiving the filing documents, request supplementary materials. The issuer shall provide the additional documents within 30 working days. During the review of the filing documents, the issuer may encounter circumstances that are prohibited under the regulations governing overseas offerings and listings. In such cases, the CSRC may seek opinions from the relevant competent authorities of the State Council.

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China jointly 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 "Provision on Confidentiality"), which was implemented on 31 March 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involves state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.