
REGULATORY OVERVIEW

REGULATIONS ON COMPANIES

Company Law

Under the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”), companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The major amendments to the latest Company Law, which came into effect on July 1, 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the corporate social responsibilities, among others.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment Law

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), “foreign investment” means the investing activities within China directly or indirectly conducted by foreign natural persons, enterprises, and other organizations (hereinafter referred to as “foreign investors”), including the following circumstances: (i) a foreign investor forms a foreign-funded enterprise within China alone or jointly with any other investor, (ii) a foreign investor acquires any shares, equities, portion of property, or other similar interest in an enterprise within China, (iii) a foreign investor invests in any new construction project within China alone or jointly with any other investor, and (iv) investment in any other manner as specified by a law or administrative regulation or the State Council. The Regulation for 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, further requires that foreign-invested enterprises (the “**FIEs**”) and domestic enterprises be treated equally with respect to policy making and implementation.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “**Foreign Investment Information Measures**”), and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Starting from January 1, 2020, foreign investors or FIEs in the PRC shall submit information relating to their investment through the Enterprise Registration System and the National Enterprise Credit Information Publicity System established by the SAMR by submitting initial reports of establishment, reports on changes to the investment, reports on termination of the investment and annual investment reports in accordance with the Foreign Investment Information Measures.

REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), all production and marketing activities within the territory of the PRC shall comply with the Product Quality Law. Producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers shall be responsible for the quality of products they produce. Quality of products shall meet the following requirements: (i) products shall be free from any irrational dangers threatening the safety of people and property. If there are national standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards; (ii) products shall have the property they are due to have, except cases in which there are explanations about the defects of the property of the products; and (iii) products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples.

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According to the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), in the event of damages caused to others due to the defects in a product, the infringed party may seek compensation from the producer or the seller of such product and shall have the right to request the producer and the seller to assume tortious liability, such as cessation of infringement, removal of obstruction, and elimination of danger.

REGULATIONS ON PRODUCT SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Production Safety Law**”), a production and operation entity must comply with the Production Safety Law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and 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 standardization and informatization 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. Business entities shall meet the work safety conditions prescribed by the Production Safety Law and other relevant laws, administrative regulations, and national or industry standards. Business entities not meeting such conditions shall not be engaged in production and other business activities.

REGULATIONS ON ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Environmental Protection Law

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the environmental protection administrative department of State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Enterprises, public institutions, and other businesses shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants. The facilities for the prevention and control of water pollution in a construction project shall be designed, constructed and put into use with the principal part of the project at the same time. The facilities for the prevention and control of water pollution shall comply with the requirements of the environmental impact assessment documents granted approval or recordation.

Atmospheric Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) (the “**Atmospheric Pollution Prevention and Control Law**”), enterprises and public institutions discharging the toxic and hazardous atmospheric pollutants listed in the directory as mentioned in the first paragraph of Article 78 shall establish an environmental risk early warning system conduct regular monitoring over discharge outlets and neighboring environment, assess the environmental risks, eliminate hidden environmental safety problems, and take effective measures to prevent environmental risk according to Article 78 of the Atmospheric Pollution Prevention and Control Law. In addition, enterprises, institutions and other production and operation units constructing projects that have an impact on the atmospheric environment shall carry out environmental impact assessment and make environmental impact assessment documents public in accordance with the law.

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Solid Wastes

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》), any entity or individual shall adopt measures to reduce solid waste generation, promote the comprehensive utilization of solid wastes, and diminish the harmfulness of solid wastes, and shall be responsible for the environmental pollution caused in accordance with the law. An entity that generates industrial solid waste shall obtain a pollutant discharge permit.

Noise Pollution

According to the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》), an enterprise, public institution, or any other producer or business operator which emits industrial noise shall take effective measures to reduce vibration and noise, and obtain a noise emission permit or complete a noise emission registration form in accordance with the law.

Pollutant Discharge Permits

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》), an enterprise, a public institution, or any other producer or operator which is subject to the administration of permitting of pollutant discharges under the law shall apply for a pollutant discharge permit under the provisions of this regulation; and may not discharge pollutants, if a pollutant discharge permit fails to be obtained.

Environmental Impact Assessment

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council, the PRC implements an environmental impact assessment system for construction projects. Before the commencement of a construction project, the construction entity shall submit an environmental impact statement or an environmental impact report form for approval, or file an environmental impact registration form for recordation in accordance with the provisions of the environmental protection administrative department of the State Council. After the completion of the construction project for which an environment impact report or an environment impact statement was prepared, the construction unit shall, in accordance with the standards and procedures formulated by competent administrative department for environment protection under the State Council, conduct inspection and acceptance of the ancillary environment protection facilities, and prepare an inspection and acceptance report. If an enterprise violates the aforesaid laws and regulations, the environmental protection administrative departments at the county level or above may order it to suspend production or construction, impose a fine and order it to conduct restoration.

Fire Safety

According to the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》), the emergency management department of the State Council and the emergency management department under the local people’s governments at or above the county level shall supervise and administrate fire protection work. Fire protection design and construction in respect of construction projects must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection 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》) last amended by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), fire protection design review and acceptance shall be carried out for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects shall be filed with the competent authorities.

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REGULATIONS ON IMPORT AND EXPORT GOODS

Foreign Trade Law

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), PRC allows the free import and export of goods and technology, unless it is otherwise provided for by any law or administrative regulation. The foreign trade department of the State Council may, where the monitoring of import and export so requires, employ the system of automatic license of import and export to some of the freely imported and exported goods, and publish the catalog thereof.

Import and Export Management

According to the Customs Law of the PRC (《中華人民共和國海關法》), the Provisions on the Recordation of Customs Declaration Entities of the (《中華人民共和國海關報關單位備案管理規定》), and the Provisions of the Customs of the PRC on Declaration of Imported and Exported Goods (《中華人民共和國海關進出口貨物申報管理規定》), the consignee or consignor of imported or exported goods may declare to the customs by itself or authorize the customs declaration enterprise to declare to the customs on behalf thereof. The consignee or consignor of imported or exported goods or the authorized customs declaration enterprise that plans to undergo declaration formalities at the customs shall legally undergo recordation formalities at the customs in advance.

Import and Export Commodity Inspection

According to the Regulations on the Administration of Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》), the Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法》), and the Regulations for the Implementation of the Law of the PRC on the Inspection of Imported and Exported Commodities (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council, the General Administration of Customs of the PRC (中華人民共和國海關總署) shall be responsible for inspection of commodities in the PRC. The entry-exit inspection and quarantine authorities shall conduct inspection on the import and export of commodities listed in the catalog and on the import and export of other commodities that shall be subject to the inspection by the entry-exit inspection authorities as prescribed bylaws and administrative regulations. For the imported and exported commodities other than those that are subject to inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities shall conduct random inspection in accordance with state regulations. Exported commodities subject to inspection may not be exported if they have not been inspected or fail to pass the inspection.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), the China National Intellectual Property Administration (國家知識產權局) (the “CNIPA”) is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria, namely: novelty, inventiveness, and practicability. The protection period is 20 years for an invention patent and 10 years for a utility model patent and 15 years for a design patent, commencing from their respective application dates.

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Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》), the CNIPA handles trademark registrations. The CNIPA grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the CNIPA for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. No application for trademark registration may infringe upon the existing prior rights of others, and bad-faith registration by illicit means of a trademark with a certain reputation already used by another party shall be prohibited.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) and the Regulations for the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the law. Copyright includes a series of personal and property rights such as 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. The term of protection of the right of publication in respect of a work of a legal person or unincorporated organization or a work created in the course of employment where the legal person or unincorporated organization enjoys the copyright (except the right of authorship) shall be 50 years, expiring on 31 December of the 15th year after the completion of its creation.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》), the National Copyright Administration shall be in charge of the administration of the registration of software copyright of the whole country, and the Copyright Protection Center of China (中國版權保護中心) is designated as the software registration authority which shall grant registration certificates to the computer software copyrights applicants. According to the Measures for the Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software, software copyright shall arise on the date of completion of the software development. The term of protection of software copyright of legal persons or other organizations shall be 50 years, expiring on 31 December of the 15th year after the first publication of the software.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) (the “**Domain Name Measures**”) promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the “**MIIT**”), the MIIT oversees the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

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REGULATIONS ON REAL ESTATE MANAGEMENT

State-Owned Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) and the Regulations on the Implementation of the PRC Land Administration Law (《中華人民共和國土地管理法實施條例》), the land in the PRC is owned by the state or collectives. Except for land explicitly designated by law to be owned by the state or land that has been lawfully requisitioned for state ownership, all other land is owned by the collectives. In order to use state-owned land, the user should acquire the land in the form of paid use, including transfer of state-owned land use right.

According to the Provisional Regulations of the PRC on Grant and Transfer of the Land Use Rights of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), the transfer of land use rights refers to the act where the state, as the landowner, grants land use rights to the land user for a certain period, and the land user pays the transfer fee for the land use rights to the state. A transfer contract shall be signed for the transfer of land use rights. Land users shall develop, utilize, and operate the land in accordance with the provisions of the contract on the transfer of the land use rights and the urban planning requirements. If the land is not developed or utilized according to the period and conditions specified in the contract, the land management department of the people’s government in the city or county shall make corrections and may, depending on the circumstances, issue warnings, impose fines or even revoke the land use rights without compensation. If the land user needs to change the use of the land stipulated in the contract on the transfer of the land use rights, he/she shall obtain the consent of the transferor and seek approval from the land management department and urban planning department, sign a new contract on the transfer of the land use rights, adjust the transfer fee for the land use rights, and complete the registration.

Urban and Rural Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), in construction of buildings, structures, roads, pipelines, or other engineering projects within a city or town planning area, the construction entity or individual shall apply for a construction project planning permit from the competent department for urban and rural planning under the people’s government of a city or county or the people’s government of a town as determined by the people’s government of a province, an autonomous region, or a municipality directly under the central government.

Project Construction

According to the Construction Law of the People’s Republic of China (《中華人民共和國建築法》), before commencement of a construction project, the construction entity shall apply for a construction permit from the construction administrative department under the people’s government at or above the county level at the location of the project in accordance with relevant national regulations, except for small projects below the threshold set by the construction administrative department under the State Council. A construction project can only be put into use after passing the completion and acceptance inspection; projects that have not been inspected or have failed acceptance shall not be delivered for use.

Leased Property

According to the Civil Code, the owner of movable or immovable property is entitled to possess, use, benefit from, and dispose of such movable or immovable property in accordance with law. With the lessor’s consent, the lessee may sublease the leased property to a third party. If the lessee subleases the property, the lease contract between the lessee and the lessor shall remain effective. If the lessee subleases the property without the lessor’s consent, the lessor has the right to terminate the lease.

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According to the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 maybe imposed on each lease agreement.

According to the Interpretation of the Supreme People’s Court on Several Issues Concerning the Specific Application of Law in the Trial of Urban House Lease Contract Dispute Cases (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》), if the ownership of the leased property changes while the lessee is in possession pursuant to the terms of the lease contract and the lessee requests the transferee to continue performing the original lease contract, the PRC courts shall support such a request, unless a mortgage has been established on the leased property before the lease and the ownership change occurs due to the enforcement of the mortgage rights by the mortgagee.

REGULATIONS ON NETWORK SECURITY AND DATA SECURITY

National Security Law

According to the National Security Law of the PRC (《中華人民共和國國家安全法》), the state shall build a network and information security guarantee system, improve network and information security protection capability, strengthen the innovation research, development, and application of network and information technologies, realize the controllable security of the core technologies and crucial infrastructure of network and information and the information systems and data in important fields; strengthen network management, prevent, frustrate, and legally punish network attack, network invasion, network information theft, dissemination of illegal and harmful information, and other network-related infractions of law and crimes, and maintain the state’s sovereignty, security, and development interests in the cyberspace.

Cybersecurity

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), for the construction and operation of the network or the provision of services through the network, technical measures and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the compulsory requirements of national standards to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data.

According to the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), “critical information infrastructure” refers to important network facilities and information systems in important industries, such as, among others, public communications and information services, as well as other important network facilities and information systems that, if damaged, disabled, or subject to data leakage, could seriously endanger national security, the national economy, public welfare, or the public interest. These regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Law, and provide that the competent administrative authorities and supervision and management authorities of the aforementioned important industries are responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the Ministry of Public Security of the PRC (中華人民共和國公安部) of the identification results.

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Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”). The Data Security Law establishes the regulatory framework and outlines the responsibilities of the relevant administrative authorities in regulating data security. It provides that the central government of the PRC shall establish a central data security work liaison system, which shall coordinate the relevant authorities across different industries to formulate catalogs of important data and implement special measures to protect the security of such important data.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by network platform operators, which affect or may affect national security are subject to cybersecurity review. In addition, network platform operators possessing personal information of over one million users shall be subject to cybersecurity review before [REDACTED] abroad. The competent administrative authorities may also initiate a cybersecurity review against the operators if they believe that the purchase of network products or services, or the data processing activities of such operators affect or may affect national security.

The Regulation on Network Data Security Management (《網絡數據安全管理條例》) reiterates the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and online platform service providers obligations.

Personal Information Protection

According to the Civil Code, the personal information of natural persons is protected by law. Any organization or individual that needs to obtain personal information from others shall do so legally, ensure information security, and shall not illegally collect, use, process, transmit, trade, provide or disclose personal information. The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (“**Personal Information Protection Law**”) further emphasizes that no organization or individual may illegally collect, use, process, or transmit the personal information of another person or illegally buy or sell, provide, or disclose the personal information of another person; or engage in personal information processing activities compromising national security or public interests.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the “**Labor Law**”), an employer and an employee must sign a written labor contract to establish an employment relationship. The employer shall pay laborers wages no lower than local standards on minimum wages. The employer and individual laborers shall participate in social insurance in accordance with law and pay social insurance costs.

Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

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According to the Article 19 of the Interpretation (II) by the Supreme People’s Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), where an employer and a worker agree or a worker undertakes to an employer that there is no need to pay social insurance premiums, the people’s court shall determine that such an agreement or undertaking is void. If the employer fails to pay social insurance premiums in accordance with the law, and the worker files a claim for rescission of the labor contract and payment of economic compensation by the employer in accordance with Article 38(3) of the Labor Contract Law, the people’s court shall support such a claim in accordance with the law. Where the abovementioned circumstances exist, and the employer, after making up the social insurance premiums in accordance with the law, requests the laborer to return the compensation already paid, the people’s court shall support such claim in accordance with the law.

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》), the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), a domestic enterprise shall pay a premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount maybe ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within such stipulated period, the relevant administrative authorities may impose a fine ranging from one to three times the amount of the amount in arrears. If the employer fails to pay the housing provident fund, it may be ordered to pay within a certain period of time, and if it still fails to pay within such stipulated period, compulsory enforcement by the court can be applied.

REGULATIONS ON TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) and the Implementing Regulations of the EIT Law (《中華人民共和國企業所得稅法實施條例》), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%. High-tech enterprises in need of key support from the state may enjoy a reduced enterprise income tax rate of 15%.

Value-Added Tax (VAT)

According to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), 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 import of goods within the territory of the PRC shall pay VAT at the rate of 13%, except when specified otherwise.

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According to the Notice on Adjusting Value-Added Tax Rate (《關於調整增值稅稅率的通知》), the tax rates of 17% and 11% originally applicable to any taxpayer who makes VAT taxable sales or imports goods were 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》), the tax rate of 16% and 10% originally applicable to general VAT taxpayers who make VAT taxable sales or import goods were adjusted to 13% and 9%, respectively.

REGULATIONS ON FOREIGN EXCHANGE

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions. Subject to certain procedural requirements, can be carried out in foreign currency without prior approval from the SAFE. On the contrary, approval from or registration with relevant government authorities is required where RMB is to be converted into foreign currencies and remitted out of the PRC to pay capital items such as direct investment, repayment of foreign currency loans, repatriation of investments and securities investment outside the PRC.

In addition, pursuant to the Circular on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), it is stipulated that banks shall directly examine and handle the foreign exchange registration under overseas direct investment, while the SAFE and its branches shall implement indirect supervision over the foreign exchange registration and examination of overseas direct investment through such banks.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) stipulates that unfair competition acts refer to acts of business operators in production and business activities that violate the provisions of the Anti-Unfair Competition Law, disrupt the market competition order, and damage the legitimate rights and interests of other business operators or consumers. According to the Anti-Unfair Competition Law, business operators must abide by the principles of voluntariness, equality, fairness and good faith when conducting market transactions, and uphold laws and business ethics. If a business operator violates the provisions of the Anti-Unfair Competition Law, it shall bear relevant civil liabilities, administrative liabilities and criminal liabilities according to specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the “**Anti-Monopoly Law**”), the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in the PRC as well as the monopolistic practices outside the PRC which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law may be subject to fines, confiscation of illegal gains, or cessation of illegal activities by the anti-monopoly law enforcement agencies.

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Anti-Money Laundering Law

The Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) (the “**Anti-Money Laundering Law**”) stipulates that anti-money laundering refers to the act of taking relevant measures in accordance with the provisions of the Anti-Money Laundering Law to prevent the money laundering activities of concealing and disguising the sources and natures of the [REDACTED] and their benefits from crimes such as drug-related crimes, crimes of organizations in the nature of underworld syndicates, terrorist activities crimes. Smuggling crimes, crimes of corruption and bribery, crimes of disrupting financial management order, and financial fraud crimes through various means.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

Securities Law

The Securities Law of the PRC (《中華人民共和國證券法》) (the “**Securities Law**”) comprehensively regulates activities in the Chinese mainland securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges. Securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administrate the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the 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》) and circulated five supporting guidelines (collectively, the “**Filing Rules**”). The Filing Rules has comprehensively improved and reformed the regulatory regime for overseas offering and listing of the PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of the PRC domestic companies’ securities by adopting a filing-based regulatory regime. The Filing Rules apply to all overseas equity financing and listing activities of PRC domestic companies, including initial and follow-on offerings of shares, depository receipts, convertible corporate bonds, or other equity instruments and trading of securities in overseas market.

OVERVIEW OF SANCTIONS AND EXPORT CONTROL LAWS AND REGULATIONS

Sanction

Set out below is a summary of the sanctions regimes imposed by U.S., the United Nations, the EU, the United Kingdom and United Kingdom overseas territories and Australia. This summary does not set out the laws and regulations relating to the U.S., the United Nations, the EU, the United Kingdom and Australian sanctions in their entirety.

U.S.

Treasury regulations

OFAC is the primary agency responsible for administering U.S. sanctions programs against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized

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under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest, and no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programs currently apply to Cuba, Iran, North Korea, the Crimea, the so-called Luhansk People’s Republic and the Donetsk People’s Republic regions. OFAC also prohibits U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations identified in the SDN List or other sanctions lists. Doing business with individuals or entities from a country or region subject to selective sanctions maintained by OFAC (currently including Russia, Belarus, Venezuela and other countries/regions) will not automatically trigger sanctions risks unless a Sanctioned Target is involved. An entity that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) is also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote nonproliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union (“EU”)

Under EU sanction measures, there is no ‘blanket’ ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Target and not engaged in

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prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures, provided that no funds and economic resources are made available to the Sanctioned Targets.

United Kingdom (“UK”)

UK sanctions are in force under the Sanctions and Anti-Money Laundering Act 2018 (“**the UK Sanctions Act**”), which enables the transition of existing EU sanctions programs and the establishment of autonomous UK regimes. The United Kingdom is no longer an EU member state as of January 1, 2021. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs through regulations setting out the specific measures under each UK sanctions regime.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

Export Control

The United States administers an export-control framework aimed at protecting national-security and foreign-policy interests. This system is implemented principally through the Export Administration Regulations (“**EAR**”) by the Department of Commerce, which imposes licensing requirements, end-use and end-user restrictions, foreign direct product controls.

The EAR govern the export and transfer of “items subject to the EAR”, maintaining an extraterritorial reach that applies to (i) U.S.-origin content or foreign-made products exceeding a de minimis threshold of controlled U.S. content, and (ii) certain foreign products manufactured using specific U.S. technology under the Foreign Direct Product rules. Compliance is generally determined based on a product’s classification and the end-user’s status on restrictive lists, such as the U.S. Entity List.

Items that are subject to the EAR may require a license from the BIS prior to the export, re-export or transfer (in-country) of the item. To determine whether a license is required, it is necessary to review the classification of the item. BIS maintains the Commerce Control List (“**CCL**,” Supplement 1 to 15 C.F.R. Part 744), which provides descriptions of items under Export Control Classification Numbers (“**ECCNs**”). Each ECCN identifies reasons for control, which indicate licensing requirements to certain destinations based on a review of the Commerce Country Chart (Supplement 1 to 15 C.F.R. Part 738). Items on the CCL may also be subject to restrictions imposed by comprehensive U.S. sanctions.

BIS administers various restricted party lists identifying companies, organizations, and individuals that may be subject to additional export control restrictions and licensing requirements under the EAR, irrespective of the classification of the relevant item. Among these, the “Entity List,” set forth in Supplement No. 4 to 15 C.F.R. Part 744, identifies parties for which exports, re-exports, or transfers (in-country) of items subject to the EAR generally require prior authorization from BIS.

According to the EAR § 744.16, in addition to the license requirements for items specified on the CCL, any entity may not, without a license from BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entry on the Entity List when an entity associated with that entry or when any person using an address identified in the Entity List entry as a high-risk diversion address is a party to a transaction as described in § 748.5(c) through (f) of the EAR.