

REGULATORY OVERVIEW

FOREIGN INVESTMENT IN THE PRC

Foreign Investment Industries Guidance and the 2020 Negative List

According to Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “**Guidance Catalogue**”), which may be revised and promulgated by the relevant departments of the State Council from time to time, while any project not listed in the catalogue is deemed to be a encouraged project for foreign investment.

The Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), which was promulgated on June 30, 2019 and came into effect on July 30, 2019, replaced the encouraged industries in the Guidance Catalogue. Listed projects are deemed to be permitted projects for foreign investment.

On June 23, 2020, the NDRC and the MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the “**2020 Negative List**”) with effect from July 23, 2020. The 2020 Negative List sets out the areas where foreign investment is prohibited and the areas where foreign investment is allowed only on certain conditions. Unless otherwise provided in other laws, foreign investment in areas not listed on the 2020 Negative List is permitted and treated equally with domestic investment.

Pursuant to the 2020 Negative List, the industry in which we operate our business, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party and the domestic party shall play a dominant role in the cooperation, which means the principal or other chief executive officer of the schools shall be a PRC national and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Regulations on Foreign Investment

The Foreign Investment Law was adopted by the National People’s Congress on March 15, 2019. It took effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law sets out the definitions of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations, and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign-invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any

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other similar rights or interests of an enterprise in the PRC by a foreign investor, (c) investment in any new construction project in the PRC by a foreign investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of national treatment plus negative list system, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the Foreign Investment Law, constitute the framework of foreign investment administration. Under the national treatment plus negative list system, 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, national treatment will be given.

The Foreign Investment Law sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects foreign investors’ investment, earnings and other legitimate rights and interests in the PRC.

On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (《外商投資法實施條例》) (the “**Implementation Regulations**”), which came into effect on January 1, 2020. Pursuant to the Implementation Regulations, if an existing foreign-invested enterprise fails to change their form of organization and complete the formalities for change of registration before January 1, 2025, the relevant market regulation departments shall not process the application for any other registration matter of the foreign-invested enterprise and may disclose the relevant information. The Implementation Regulations further requires that foreign-invested enterprises and domestic enterprises shall be treated equally with respect to policy making and implementation.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original form of organizations within five years after the Foreign Investment Law comes into effect. The specific implementing measures will be prescribed by the State Council.

Pursuant to 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》), which was promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall be filed with the competent commercial authorities.

On December 30, 2019, 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**”), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. Beginning from January 1, 2020, when foreign investors carry out investment activities directly or indirectly in China, foreign investors or foreign-invested enterprises shall submit information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Specifically, foreign investors or foreign-invested enterprises shall report their establishments, modifications and cancelations and file their annual reports in accordance with the

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Foreign Investment Information Measures. When a foreign-invested enterprise has completed filing of such reports, the relevant information will be passed by the competent market regulation department to the competent commercial department, so the reports do not need to be submitted separately.

On December 19, 2020, the NDRC promulgated Measures for Security Review of Foreign Investment (《外商投資安全審查辦法》) (“**Measures**”), with an effective date of January 18, 2021. Pursuant to the Measures, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the Measures. “Foreign investment” refers to (i) a foreign investor, solely or jointly with any other investor, investing in the construction of a new project or the establishment of an enterprise in the PRC; (ii) a foreign investor, by means of merger and acquisition, acquiring the equity or assets of any enterprise in the PRC; and (iii) a foreign investor making investment in the PRC by other means. The Foreign Investment Security Review Mechanism (外商投資安全審查工作機制, the “**Security Review Mechanism**”) in charge of organization, coordination and guidance of foreign investment security review is thereunder established. A working mechanism office shall be established under the NDRC and led by the NDRC and the MOFCOM to undertake routine work on the security review of foreign investment. According to the Security Review Mechanism, foreign investment activities falling in the scope such as important cultural products and services, important information technologies and internet products and services, important financial services, key technologies and other important fields that concern state security while obtaining the actual control over the enterprises invested in, a foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment. The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has not been involved in such activities. Therefore, the Group was not subject to the Measures during the Track Record Period and up to the Latest Practicable Date.

Regulations on Sino-foreign Investment in Operating Schools

Pursuant to the 2020 Negative List, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party. Further, the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and representatives of the domestic party shall be at least half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the “**Regulation on Operating Sino-foreign Schools**”), which was promulgated by the State Council on March 1, 2003 and became effective on September 1, 2003 and amended on July 18, 2013 and March 2, 2019, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), and the Implementing Rules for the Regulations on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例實施辦法》) (the “**Implementing Rules**”) issued by the MOE on June 2, 2004 and became effective on July 1, 2004.

The Regulation on Operating Sino-foreign Schools and its Implementing Rules apply to the activities of educational institutions established in the PRC jointly by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily from PRC citizens. The Regulation on Operating Sino-foreign Schools and its Implementing Rules encourage substantial cooperation between overseas educational organizations with relevant qualifications and experience in

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providing high-quality education, and PRC educational organization’s to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign educational institution with relevant qualification and experience at the same level and in the same category of education. Sino-foreign cooperative schools are not permitted to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperative school and cooperation program shall be approved by the relevant education authorities and obtain an Operation Permit for Sino-foreign Cooperation School, and a Sino-foreign cooperative school established without the above approval or permit may be prohibited by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign education institute shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the National People’s Congress of the PRC enacted the Education Law of the PRC (《中華人民共和國教育法》) (the “**Education Law**”), which was amended on August 27, 2009, June 1, 2016 and April 30, 2021. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education and establishes and operates schools and other institutions of education and provides that, in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of institution of education in accordance with PRC laws and regulations.

The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other institution of education, and the establishment, modification or termination of a school or any other institution of education shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing.

Regulations on higher education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998 and was then amended on December 27, 2015 and December 29, 2018, higher education includes education for academic qualifications and education for non-academic qualifications. Higher educational institutions are universities, independent colleges, and specialized higher education schools, including higher vocational schools and higher education schools for adults. The establishment of higher educational institutions for undergraduate program and above shall be

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subject to examination and approval by the administrative department for education under the State Council, the establishment of higher educational institutions for junior college program shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities as authorized by the State Council. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's governments of provinces, autonomous regions and municipalities directly under the PRC Government. Higher education for academic qualifications includes junior college program, undergraduate program and graduate program. Higher education shall be conducted by higher educational institutions and other higher education organizations. Higher educational institutions shall be established in accordance with state plans for the development of higher education and in keeping with the interests of the state and the public. Universities and independent colleges shall mainly conduct undergraduate program and education at a still higher level. Specialized higher education schools shall conduct junior college program. With the approval of the administrative department for education under the State Council, research institutes may undertake graduate programs. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, possess a better teaching and research team, to achieve a higher level of teaching and research, and operate with a necessary scale of students, so that they can offer undergraduate program and education at a higher level. Moreover, universities shall offer at least three categories of subjects designated by the state as the main courses.

Further, the MOE issued the Several Provisions on the Administration of Private Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which was amended on November 10, 2015, pursuant to which the conditions for running private colleges and universities shall conform to the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a private college or university shall, under the Law for Promoting Private Education of the PRC and its Implementation Rules, timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than that as specified in the license for running private education, or establish any branch, or rent or lend to others its license for running private education. The principal of a private college or university shall satisfy the appointment requirements of the state and shall have ten or more years of experience of administration of higher education and shall not be over 70 years old. The term of office of a principal shall be four years in principle.

The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was amended on June 29, 2013, November 7, 2016 and December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on April 1, 2004 and was further amended on May 14, 2021. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements of the Education Law and relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to

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approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for operating a Private School (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (the “MCA”) or its local counterparts as a privately run non-enterprise institution (民辦非企業單位).

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Public schools that provide compulsory education are not permitted to be converted into private schools. The operations of a private school are highly regulated. For example, a private school shall establish the executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least twice a year. Private schools engaging in higher education and secondary vocational and technical degree education may, according to their purposes and aims, set up majors, offer curriculums and select textbooks by itself. Private schools implementing compulsory education shall not use overseas teaching materials. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations. There shall also be a definite number of full-time teachers in a private school, and for private schools offering academic qualifications education, full-time teachers shall account for not less than one-third of the total number of the teachers. See “Business — Potential Impact on us of the 2016 Decision and the 2021 Implementing Regulations” for more details.

Entities and individuals that establish private schools are commonly referred to as “sponsors” instead of “owners” and “shareholders” in PRC laws and regulations. The economic substance of “sponsorship” with respect of private schools is substantially similar to that of ownership with regard to legal, regulatory and tax matters. A sponsor of a private school has the obligation to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes an asset of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school’s decision-making body. Specifically, the sponsor has control over the private school’s constitutional documents and has the right to elect and replace the private school’s decision-making bodies, such as the school’s board of directors, and therefore controls the private school’s business and affairs.

On November 7, 2016, the NPC Standing Committee published the 2016 Decision, which became effective on September 1, 2017. In accordance with the 2016 Decision, sponsors of the private school are allowed to register and operate the school as a for-profit (the “**For-Profit Private Schools**”) or a non-profit private school (the “**Non-Profit Private Schools**”) as long as a private school does not provide compulsory education. Sponsors of For-Profit Private Schools are allowed to receive income from the operation of the school and the balance of running such school is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While sponsors of Non-Profit Private Schools are prohibited from receiving income from the operation of the school, the balance of running such schools shall be only used for the operation of the schools.

Furthermore, the remaining assets upon liquidation of For-Profit Private Schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of Non-Profit Private Schools shall only be used for the operation of other Non-Profit Private Schools.

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For-Profit Private Schools are entitled to make their own decisions about the fees collection in accordance with the market situations, while the fees collection of Non-Profit Private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to tax preferential policies and land policies in accordance with the PRC laws, with the emphasis that Non-Profit Private Schools shall enjoy the tax preferential policies and land policies equivalent to those applicable to public schools.

If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as Non-Profit Private Schools, they shall procure the school to amend its articles of association in accordance with the 2016 Decision and continue the school operation pursuant to such revised articles of association. Furthermore, upon the termination of such Non-Profit Private Schools, the government authority may grant some compensation or reward from the remaining assets of the schools upon their liquidation to the school sponsors who have made capital contribution to such schools based on their applications, and then apply the rest of the assets to the operation of other Non-Profit Private Schools. If the school sponsors of private schools established prior to the promulgation date of the 2016 Decision choose to register and operate their schools as For-Profit Private Schools, the schools shall go through some procedures including but not limited to conducting financial settlement, defining the property right, paying relevant taxes and expenses and renewing their registration, the details of which shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government.

In addition, where an organization or individual establishes or operates a private school without authorization, it/he shall be ordered by the relevant administrative department of the government to cease operation of the school and return the fees collected, and shall be fined not less than one time but not more than five times of the illegal gains. If a sponsor's act is found to violate the administration of public security, the sponsor shall be subject to a penalty imposed by the public security authority according to the law. If a sponsor's act constitutes a crime, the sponsor shall be subject to criminal liabilities according to the law.

Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education

According to the Several Opinions on Encouraging Social Groups to Engage in Education and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which was issued by the State Council on December 29, 2016, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) classification registration and management shall be applicable to private schools and the sponsors of private schools shall, at their own discretion, choose to run Non-Profit or For-Profit Private Schools; (ii) different government support policies shall be applicable to private schools. The government at all levels is responsible for formulating and perfecting support policies for Non-Profit Private Schools including but not limited to incentives and land allocation. At the same time, the government at all levels may support the development of For-Profit Private Schools by ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service; and broaden the financing channels for private schools, encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating income in the future or intellectual property rights, while individual persons or entities are encouraged to make donations to Non-Profit Private Schools.

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Local people’s government at various levels should perfect support policies for private schools, which include but not limited to: (i) implementing the same subsidy policies for private schools, the students of private schools and public schools shall enjoy student loans, scholarships and other State’s funding policies equally; (ii) implementing incentive policies regarding taxes and fees for private schools. Private schools shall enjoy preferential tax treatments in accordance with national regulations while Non-Profit Private Schools enjoy the same tax preferential treatments as public schools. Private schools shall be entitled to the same price policies for use of electricity, water, gas and heat as public schools; and (iii) implementing different land supply policies. Non-Profit Private Schools enjoy the same land policies as public schools and may get land by way of land allocation while For-Profit Private Schools shall get land in accordance with national regulations and policies.

On July 11, 2018, the General Office of the People’s Government of Shanxi Province promulgated the Shanxi Opinions. According to the Shanxi Opinions, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that private schools providing compulsory education must be non-profit. Sponsors of Non-Profit Private Schools do not obtain school operating income, and operating balances are all used for running schools; For-Profit Private Schools sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools which provided education services other than compulsory education and were approved for establishment before November 7, 2016 can freely elect to establish for-profit schools or non-profit schools, the re-registration shall be completed within five years from July 2018 which was confirmed in our interview with the Department of Education of Shanxi Province.

Implementing Measures on Classification Registration of Private Schools

According to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the “**Classification Registration Rules**”), which was jointly issued by the MOE, the Ministry of Human Resources and Social Security, the MCA, the State Commission Office of Public Sectors Reform and the SAIC (currently known as the SAMR) on December 30, 2016, with effect from the same day, the establishment of a private school is subject to approval. Private Schools approved to be established shall apply for the registration certificate or business license in accordance with the classification registration regulations after they obtained the license for school operation by the competent government authorities.

The Classification Registration Rules shall apply to private schools. Non-Profit Private Schools which meet the requirements under the Interim Administrative Regulations on the Registration of Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) and other relevant regulations shall apply to the civil affairs department for registration as private non-enterprise entities. Non-Profit Private Schools which meet the requirements under the Interim Regulations on the Administration of the Registration of Public Institutions (《事業單位登記管理暫行條例》) and other relevant regulations shall apply to the relevant administrative authority for registration as public institutions. For-Profit Private Schools shall apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

The Classification Registration Rules are also applicable to existing private schools. If an Existing Private School chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities. If an existing private school chooses to register as a For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools’ land, buildings and capital accumulations

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generated from school-running operations and pay the relevant taxes and fees, obtain new school permits, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and the local circumstances.

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it chooses to register as a Non-Profit Private School, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities; if it chooses to register as For-Profit Private School, it shall make financial settlement, clarify the ownership of the schools' land, buildings and capital accumulations generated from school-running operations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the Permit for operating a Private School, and then register with the local branch of the SAMR.

Implementing Measures for the Supervision and Administration of For-Profit Private Schools

On December 30, 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Security jointly issued the Implementation Rules on the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), which details the supervision and administration of For-Profit Private Schools regarding the establishment of schools, the organization structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation.

According to the Implementation Rules on the Supervision and Administration of For-Profit Private Schools, a social organization or individual running a For-Profit Private School shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be able to satisfy the costs of the school construction and development. Furthermore, the social organization running the For-Profit Private School shall be a legal person who is in good credit standing and shall not be listed as an enterprise operating abnormally or be listed as an enterprise that is in material non-compliance with the laws or be dishonest. Individuals running For-Profit Private Schools should be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity.

For-Profit Private Schools shall establish the board of directors, the board of supervisors (or a supervisor), administrative organs, organizations of the Communist Party of China, an employee representatives' assembly as well as a labor union. The Secretary of the Communist Party of China shall be a member of the board of directors and of the administrative organs of the school and no less than 1/3 of the members of the board of supervisors of the school shall be the employee representatives.

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For-Profit Private Schools shall implement the financial and accounting policies required by the PRC Company Law and other relevant regulations and include all of their income into their financial accounts and issue legal invoices and other documents as required by tax authorities for such income. For-Profit Private Schools enjoy legal person property rights and shall be entitled to manage and use all of their assets in accordance with applicable regulations in their duration. The sponsors of For-Profit Private Schools shall neither withdraw contributed capitals nor mortgage the teaching facilities for loans or guarantees. The balance of the school operation could only be distributed upon the annual financial settlement.

For-Profit Private Schools shall, in accordance with the Provisional Regulations on Enterprise Information Publicity (《企業信息公示暫行條例》), publicize their credit information such as annual report information, administrative license information and administrative penalty information through the National Enterprise Credit Information Publicity System. In addition to information that has been made public by the school, the social organizations or individuals could make a written application to the school for additional information.

Any division, merger, termination and other major changes of For-Profit Private Schools shall be subject to the approval of the board of directors, the approval of the relevant government authorities as well as the registration requirements set by the industry and commerce departments. Any division, merger, termination or change of name of for-profit private undergraduate colleges and universities shall be subject to the approval of the MOE while other alteration matters shall be approved by the relevant provincial government.

On December 30, 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province (《山西省營利性民辦學校監督管理實施辦法》), which resembles the rules at the national level to a large extent.

According to the Notice of the SAIC and the MOE on the Registration and Administration of the Name of For-Profit Private Schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), which was issued jointly by the MOE and the SAIC on August 31, 2017 and became effective on 1 September 2017, the private school shall be registered as a limited liability company or a joint stock limited company according to the PRC Company Law and the Law for Promoting Private Education of the PRC and its name shall comply with relevant laws and regulations on company registration and education.

Interim Measures for the Management of the Collection of Private Education Fees

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the “**Private Education Fees Collection Measures**”) was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security) on March 2, 2005 and took effect from April 2, 2005. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education of the PRC, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by education authorities or the labor and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the fee charge permit. A private school that provides non-academic qualifications education shall file its

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pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws. On March 12, 2020, the NDRC abolished the Private Education Fees Collection Measures.

Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision

According to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision (《國家發展和改革委員會、財政部關於取消收費許可證制度加強事中事後監管的通知》), which was jointly promulgated by the NDRC and the MOF on January 9, 2015, the annual review system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2015, and the system of Fee Charge Permit Certificate shall be abolished nationwide from January 1, 2016.

On October 12, 2015, the Central Committee of Communist Party of China and the State Council jointly issued the Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》), which allows For-Profit Private Schools to set their tuition fees, while the tuition-collecting policies of Non-Profit Private Schools shall be determined by the provincial governments in a market-oriented manner, taking into account of the local conditions.

According to the Notice on Further Standardizing the Collection of Education Fees of Non-Profit Private Schools (《關於進一步規範非營利性民辦學校學歷教育收費的通知》), which was jointly promulgated by the Development and Reform Commission of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province on October 29, 2019, the education fees collected by Non-Profit Private Schools include tuition fees and boarding fees, and Non-Profit Private Schools can refer to the relevant regulations of public schools at the same level to provide students with optional service charge items and substitute charge items on the premise of students' willingness.

Pursuant to the Opinions on Further Strengthening and Standardizing the Management of Education Fees (《關於進一步加強和規範教育收費管理的意見》), which was promulgated on August 17, 2020, the specific methods for Non-Profit Private Schools' fees shall be formulated by the provincial people's government; the fees of For-Profit Private Schools shall be regulated by the market and determined by the schools themselves. For private schools established before November 7, 2016, the charging policies shall be managed as Non-Profit Private Schools before the relevant procedures for classification registration are completed. In addition, it is strictly forbidden for Non-Profit Private School sponsors and non-profit Sino-foreign cooperative school sponsors to obtain school operating income from tuition income and other school operating income through various methods, distribute school surplus (surplus property), or transfer school operating income through connected transactions or connected parties.

Pursuant to the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, the items and standards charged by For-Profit Private Schools are determined independently by the school based on factors such as school cost and market demand and shall be disclosed to the public.

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Regulations on Safety and Health Protection of Schools

According to the Regulation on Sanitary Work of Schools (《學校衛生工作條例》), which was promulgated on June 4, 1990 and became effective on June 4, 1990, schools shall carry out sanitary work. The main tasks of the sanitary work include monitoring health conditions of students, carrying out health education among students, helping students to develop good health habits, improving health environment and health conditions for teachers, strengthening prevention and treatment of infectious disease and common diseases among students.

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was last amended on April 29, 2021, collective canteens of schools shall obtain licenses in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools and kindergartens should only order meals from off-site providers that have obtained the relevant food production licenses and should conduct regular inspections on the meal provided.

According to Administrative Measures on Licence of Catering Industry (《餐飲服務許可管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, a licencing system for catering industry is implemented. A catering service provider shall obtain food service licence and take responsibility for the food safety in accordance with the laws. Pursuant to Administrative Measures for Food Operation Licencing (《食品經營許可管理辦法》) promulgated on August 31, 2015 and amended on November 17, 2017 with effect from the same day, a food operation licence shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The principle of one licence for one site shall apply to the licencing for food operation, and classified licencing for food operation according to food operators' types of operation and the degree of risk of their operation projects is implemented.

Pursuant to Administrative Measures for the Supervision of Food Safety in Catering Service (《餐飲服務食品安全監督管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, catering service providers shall carry out catering service activities in accordance with the laws, regulations, food safety standards and relevant requirements, be responsible for society and the general public, ensure food safety, accept social supervision, and take responsibilities for food safety in catering service.

According to the Regulations on the Management of Food Safety, Nutrition and Health of School (《學校食品安全與營養健康管理規定》) promulgated by the MOE, SAMR and the National Health Commission on February 20, 2019 and came into force on April 1, 2019, the supply of foods by schools to students, teachers and employees through canteens or by ordering food from off-site providers is regulated. Schools shall attach great importance to food safety and the principal of a school is responsible for the food safety. The school canteens shall obtain the license for food operations.

REGULATIONS ON REAL PROPERTY IN THE PRC

On May 28, 2020, the Civil Code of the PRC (中華人民共和國民法典) (the "Civil Code") was adopted by the Standing Committee of the NPC. The Civil Code became effective on January 1, 2021 and simultaneously replace the General Principles of the Civil Law, the Security Law, the Contract Law, the Real Right Law, the General Rules of the Civil Law and several other basic civil laws in the PRC. The Civil Code provides that non-profit legal persons established for public welfare such as schools, kindergartens and medical institutions shall not mortgage their educational facilities, health care facilities and other public welfare facilities.

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According to the Civil Code, transferable fund units and equity, property right in intellectual property rights of transferable exclusive trademark rights, patent rights, copyrights, etc., existing and future accounts receivable and other property rights that can be pledged as stipulated by any law or administrative regulation may be pledged.

REGULATIONS ON INTELLECTUAL PROPERTY IN THE PRC

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which was last amended on November 11, 2020 with the effective date of June 1, 2021, Copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), which was last revised on April 23, 2019 and came into effect on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), which was last revised on October 17, 2020 with the effective date of June 1, 2021, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

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Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (《中國互聯網域名管理辦法》), which was promulgated on November 5, 2004 and was abolished by the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

REGULATIONS ON TAX IN THE PRC

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**”), which was promulgated on March 16, 2007 and last amended on December 29, 2018 and became effective on the same date, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Rules**”), which was promulgated on December 6, 2007 and amended on April 23, 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部、國家稅務總局關於教育稅收政策的通知》) (the “**Notice 39**”) and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》) (the “**Notice 3**”), schools are not required to pay enterprise income tax on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools are not required to pay enterprise income tax on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education of the PRC and its implementing rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council.

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Income Tax in Relation to Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on August 21, 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Value-added Tax

According to the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”), which was promulgated on March 23, 2016 and took into effect from May 1, 2016 and was partly abolished, upon approval of the State Council, the pilot program of the collection of

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value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

The Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-add Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, reduced the applicable value-added tax rates for general value-added taxpayers to 16%, 10% and 6%, respectively. The Announcement on Policies for Deepening the Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, further reduced the applicable value-added tax rates of 16%, 10% for general value-added taxpayers with respect to value-added taxable sales or imported goods to 13% and 9%, respectively.

Other Tax Exemptions

According to Notice 39 and Notice 3, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempt from house property tax and urban land use tax. Schools expropriate arable land upon approval shall be exempt from arable land use tax. Schools and educational institutions established by any enterprises, government affiliated institutions, social groups or other social organizations or individuals and citizens with non-state fiscal funds for education and open to the public upon the approval of the administrative department for education or for labor of the relevant people’s government at the county level or above which has also issued the relevant school running license, shall be exempted from deed tax on their ownerships of land and houses used for teaching activities.

REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Rules**”). The Foreign Exchange Administration Rules was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and further amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

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According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), which is promulgated on July 4, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration registration formality for offshore investment. The SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing”; “Round Trip Investments” refer to “the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests”. In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled (first level)”.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented June 1, 2015 and amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of an SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

According to the Circular of the SAFE on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE on March 30, 2015 and effective from June 1, 2015 and amended on June 9, 2016 and December 30, 2019, and the Circular of the SAFE on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

According to the Notice of the SAFE on Optimizing 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》), which was issued by the SAFE on April 10, 2020 and took effect from the same day, 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, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

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Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

REGULATIONS ON LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the “**Labor Law**”), which was promulgated by the NPC Standing Committee on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 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 labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated by the NPC Standing Committee on June 29, 2007, came into effect on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and became effective on the same date, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

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According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and amended on December 29, 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who fail to comply after the expiry of such period.