This section sets out summaries of certain major laws and regulations in Macau, Hong Kong and the PRC, which are relevant to our business and operation.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to the provision of Internet Services

The Basic Telecommunications Law of Macau (Law no. 14/2001) stipulates that the Government of Macau (the "**Government**") shall regulate the access to activities concerning the operation of public telecommunications networks and the provision of publicly accessible telecommunications services, as well as the specific regulations for the exploration of such activities.

Pursuant to article 13 of Law no. 14/2001, together with the Administrative Regulation no. 24/2002 of Macau, the operation of public telecommunication networks and the provision of publicly accessible telecommunications services may be carried out by duly licensed companies, i.e., (i) companies incorporated in Macau including in the terms of incorporation the provision of internet services as their object; (ii) having the appropriate technical capability and experience for fulfilling the obligations of the licence, including a qualified workforce; (iii) having adequate financial and economic capability; and (iv) an apt accounting system, in view of the analysis required by the proposed projects.

Licences are valid for a period not exceeding five years, renewable upon application by the licensee. Under article 9 of the Administrative Regulation no. 24/2002, the licence states which category or categories of internet services are covered therein.

The provision of services must respect the freedom of choice by the user, specifically not forcing bundles of services in such a way that the user cannot subscribe one service without also subscribing another, undesired, service (article 22 of the Administrative Regulation no. 24/2002).

Most other clauses stipulated in the Administrative Regulation no. 24/2002 and binding the licensee are specifically set out in the licence itself, subjecting the licensee to the following general terms and conditions: (I) payment of the required fees; (II) general obligations, namely to (i) ensure the secrecy and the protection of communications in services provided, against breaches, including the protection of personal data and privacy of users and computer networks and systems; (ii) maintain in Macau all the required human, technical, material and financial resources; (III) quality obligations: the licensee must (i) meet the basic quality indicators set by the regulator and by particular terms and conditions of the licence, if any; and (ii) provide, upon request by the regulator, all relevant information regarding the assessment of the quality of services rendered. (IV) customer relations, namely (i) ensure the availability of the licensed services to clients in equal terms to anyone who meets the established requirements, with no unreasonable delays, as well as the availability of services for commercial assistance and reporting of anomalies; (ii) suspend or cancel the provision of services, upon breach of contract or violation of applicable rules by a client, subject to an adequate advance notice to the client and allowing the client to adopt remedial action; (iii) otherwise, only limiting or suspending the provision of services following prior authorisation by the Government; and (iv) give appropriate advance notice to clients of any limitation of suspension of services, detailing the reasons, scope and duration of the limitation or suspension. (V) prices: the licensee shall (i) charge and collect the agreed contractual prices from the users of services; (ii) give advance notice to the regulator of any changes to the prices of services; (VI) otherwise the licence may be suspended or revoked upon: (i) failure by the licensee to start the provision of services within the legal period; (ii) breach by the licensee of the

terms and conditions of the licence or violation of applicable rules on secrecy and protection against breach of communications; (iii) unauthorised suspension of services, in whole or in part, by reason directly attributable to the licensee; (VII) the regulator is empowered to supervise the compliance with the terms of the licence and applicable laws and regulations, including the licensee's duty to: (i) provide the regulator with all required and pertaining information as well as granting access to concerned premises; and (ii) regularly conduct tests, at the licensee's expense, to the equipment and services provided, according to a reasonable calendar, and whenever requested to do so by the regulator.

Providers of internet services must hold a valid licence. This remains valid in the case of contractual arrangements involving two or more providers, namely upon subcontracting the provision of services or parts thereof. Those arrangements, if any, may not transmit to a third party any rights granted, under the licence, to the licensee, as explained above.

The Law on Computer-related Crimes of Macau (Law no. 11/2009) includes, under article 16, a few special measures that impose duties on providers of internet services, namely enabling the judiciary authorities, in the course of a criminal investigation, to issue an expedite order for:

(i) conservation of data, requiring the provider of internet services to preserve the integrity of such data for a maximum period of 90 days, and to provide the authorities with traffic data enabling the identification of the concerned suppliers of services;

(ii) disclose specific data stored in a system under the provider's control;

(iii) disclose data that may be in the provider's possession, regarding the identification of users of the services provided;

(iv) adopt appropriate measures for removing, or blocking access to, illegal data, in an expedited way; and

(v) failure to comply is a criminal offence, punishable with imprisonment not exceeding two years or fine not exceeding 240 days, under article 312(2) of the Criminal Code of Macau.

Protection of personal data

Personal data protection is a fundamental right under the laws of Macau. Articles 30 and 32 of the Macau Basic Law provide the foundation for the protection of the privacy of the residents and their communications.

Personal data is regulated by the Personal Data Protection Act of Macau (Law no. 8/2005, hereunder the "**PDPA**") as any information of any type, irrespective of the type of medium involved, including sound and image, relating to an identified or identifiable natural person ("**data subject**"); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an indication number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity.

The PDPA defines controller as the natural or legal person, public entity, agency or any other body which alone or jointly with others determines the purposes and means of the processing of personal data.

The provision of internet services in the categories of "Database Access and Retrieval" and "Web hosting, Application Hosting and Database Hosting" does not include the power to determine the purposes and means of the processing of personal data, therefore the provider of those services is not deemed a "controller" under the PDPA.

The provision of such services is included in paragraph 1(6) of article 4 of the PDPA: "processor" shall mean a natural or legal person, public entity, agency or any other body which processes personal data on behalf of the controller.

Specific stipulations of the PDPA on the activity and duties of the processor include all those regarding the security and confidentiality of processing: article 15 (security of processing) makes the controller liable for ensuring the implementation of appropriate technical and organisational measures to protect personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing. Having regard to the state of the act and the cost of their implementation, such measures shall ensure a level of security appropriate to the risks represented by the processing and the nature of the data to be protected. The duties imposed by the PDPA primarily on the controller shall be equally imposed on any of its processors, whenever the process is carried out by such processors on behalf of the controller. To this effect, the choice of processor by the controller must ensure that the processor provides sufficient guarantees in respect of the technical security measures and organisational measures governing the processing to be carried out and compliance with those measures.

In doing so, the processing of data must be governed by a contract binding the processor to the controller and stipulating in particular that the processor shall act only on instructions from the controller and that the obligations above shall also be incumbent on the processor.

Therefore, the contracts between the provider of internet services of "Database Access and Retrieval" and "Web Hosting, Application Hosting and Database Hosting" must include clauses to this effect and shall be in writing in a document legally certified as affording proof.

Some categories of personal data are afforded special protection. These include personal data revealing philosophical or political beliefs, political association or trade-union membership, religion, privacy and racial or ethnic origin, and the processing of data concerning health or sex life, including genetic data. However, the controller may be allowed to process these categories of data in some circumstances.

Whenever a controller resorts to a processor in dealing with these categories of personal data, special security measures apply.

Article 17 of the PDPA stipulates that any person acting under the authority of the controller or the processor, including the processor himself, who has access to personal data must not process them except on instructions from the controller, unless he is required to do so by law.

Under article 18 of the PDPA, anyone who obtains knowledge of the personal data processed in carrying out their functions shall be bound by professional secrecy, even after termination of their functions, including employees of the processor.

Competition law

The Commercial Code of Macau provides, in articles 156 through 173, a basic legal framework for defining "unfair competition".

Specifically, article 23 of the Administrative Regulation no. 24/2002, prohibits companies rendering internet services from engaging in any practices that might cause unfair competition or abuse of dominant market position, namely: discriminating in their relations with other renderers or with the public; predatory pricing of services; curtailing the freedom of choice of renderer by the user; denigration of competitors; collusion with other companies to the effect of practicing unfair competition acts; cross-funding with the purpose of undermining competition; unfair enticing of customers.

Under article 25/1/4 of the Administrative Regulation no. 24/2002, breaches of the above rules shall be punished with a fine ranging from MOP20,000 to MOP120,000.

Public procurement

Public procurement in Macau is governed, under the Administrative Law of Macau, by a set of acts that establish the mandatory procedures that must be followed by the public sector upon procurement of public works and provision of goods and services.

These acts apply to all entities of the administrative public sector of Macau, as well as to the administrative activity of the legislature and the judiciary of Macau. Moreover, they also apply to the administrative activity of the Concessionaires of Public Services of Macau. The basic legal framework of public procurement in Macau rests on the foundation of Decree-Law no. 122/84/M of Macau, enacted on 15 December 1984, supplemented by Decree-Law no. 63/85/M of Macau, on the procedures for public tenders upon procurement of goods and services for the public sector, and by Decree-Law no. 74/99/M of Macau, enacted on 8 November 1999, on the procedures for public tenders for procurement of public works.

Recently, the Chief Executive of Macau motioned a proposal for legislative amendment of Decree-Law no. 122/84/M of Macau, with a very limited scope in line with the evolution of the economy of Macau.

The current discussion in the legislature of Macau, therefore, has no impact on the substantive rules and methods of public procurement and private companies and their businesses will not be affected by the proposed changes, should they be approved.

These changes may be summarised by a simple rule: all applicable thresholds will be multiplied by six.

Additionally, written contract shall no longer be mandatory for works with an estimated performance of over 12 months and for the provision of goods or services with an estimated performance of over six months.

Nevertheless, a detailed table of the said parameters and their current and proposed values is included below, for reference.

Proposed amendments to Decree-Law no. 122/84/M of Macau (Summary)

(admitted on first reading to the Legislative Assembly of Macau on 2 February 2021)

(pending reading at the 1st Standing Committee)

Description	Current	Proposed
	(MOP million)	*(MOP million)*
Possibility of public tender with prior qualification whenever the estimated cost exceeds the amount of:		
— Public works	15.00	90.00
— Goods or services	7.50	45.00
Public tender mandatory whenever the estimated cost exceeds the amount of:		
— Public works	2.50	15.00
— Goods or services	0.75	4.50
Direct award without written consultation possible if not exceeding:		
— Public works	0.15	0.90
— Goods or services	0.015	0.09
Written contract mandatory if over:		
— Public works	1.50	9.00
— Goods or services	0.50	3.00
Waiver of mandatory written contract possible on exceptionally urgent cases, if not over:		
— Public works	2.50	15.00
— Goods or services	0.75	4.50
Procurement of goods or services from outside Macau requires an authorisation by the Chief Executive of Macau whenever the estimated cost exceeds	0.50	3.00

Subcontracting

In the laws of Macau, there are no special restrictions to awarding a portion of an existing contract by a contractor.

Typically, a contractor retains subcontractors for the purpose of carrying out specialty work, but there is no general provision limiting subcontracting to those circumstances. Technically it is possible to award the complete object of a contract.

On the other hand, there are no waivers regarding the requirements to be met by the main contractor in the first place. For instance, if an administrative licence is required for the main contract, the contractor may not award such portions of the main contract to a subcontractor who does not meet the same requirement, i.e., the same type of administrative licence.

Subcontracts must not be confused with sub-licences: as described under "Laws and regulations in relation to the provision of Internet Services" in this section, there is no provision to the effect of allowing sub-licensing, and transmission of the specific licence to a third party must be authorised by the Government.

Labour, health and safety

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009 of Macau.

Specifically regarding non-residents, their labour contracts are obligatorily made in writing, with the inclusion of mandatory minimum information as set out in Law no. 21/2009 of Macau such as the residence or headquarters of each party, the term of the contract and the grounds justifying it, the professional grade or functions agreed upon and the respective remuneration, the place in which the work will be performed, the working time and normal working hours, the date when the contract comes into effect, the functions of the replaced employee (in the case of replacement of an absent employee), and the date when the contract is entered into. The written labour contracts must also be signed in two originals whereof one original is to be held by each party.

Non-compliance with the rules included in Law no. 21/2009 of Macau may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of six months to two years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of six months to two years to request new authorisations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the work environment, according to Decree-Law no. 37/89/M of Macau, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishment in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to Decree-Law no. 13/91/M of Macau (sanctions for the non-compliance with the General Regulation of Macau of working safety and hygiene of office, service and commercial establishments).

Pursuant to Decree-Law no. 40/95/M of Macau (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), a company must provide industrial accident insurance for its employees. In the event the employer fails to provide such insurance, fines may be imposed as legal sanction.

Environmental protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M of Macau (the "**Macau Environmental Law**"), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Injunctions may also be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau of Macau.

Import and export trade

The import and export of goods in Macau is regulated by Law no. 7/2003 of Macau, the Macau Foreign Trade Law. This Law establishes the general principles of external trade and the regime of entry, exit and passage of goods and other products from Macau. The entry and exit of goods is free of limitations, notwithstanding the specifications, foreseen in the Macau Foreign Trade Law, regarding some goods.

Only the individuals or companies established in Macau that provide evidence of the settlement of their tax obligations (consumption tax or industrial tax) may carry out external commerce operations in Macau. The entry and exit of goods shall only be made through officially qualified customs borders and the supervision of the foreign trade operations carried out through the customs borders of Macau or by post shall be the Macau Customs Services' responsibility.

Under Macau laws, there are three types of external commerce operations: (i) export of goods; (ii) import of goods and (iii) transit of goods.

If the goods are not included in Table A (regarding the export of a limited number of goods) and Table B (regarding the import of a limited number of goods) attached to the Executive Order no. 487/2016 of Macau, not only the respective export/import is not subject to the licensing regime, but also its transit can be carried out by a common external commerce operator other than a transit enterprise duly licensed. The activity carried out and the types of goods imported by BoardWare Macau are not included in the aforesaid Tables A and B, hence no licensing is necessary.

Notwithstanding this, the operations of external commerce are subject to declaration of import/export of goods — when not included in the aforesaid Tables A and B — with value over MOP5,000.

Any person who, through any means, imports or exports to Macau any goods, out of the appropriate places referred above, shall be punished with a prison sentence of up to one year, or with a fine of prison daily rate of up to 200 days. In addition, the goods and objects that have served or were intended to serve the practice referred are seized and, in case of conviction, declared lost in favour of the Government. This crime is applicable to legal persons or entities.

TAXATION IN MACAU

Macau has a civil law (or continental law) legal system where written legislations or statutes that contain rules and principles are the primary source of law. Unlike the common law legal system, Macau's legal system relies largely on statutes and codes and deals with case law apart from any precedence value. While it can be indicative of the interpretation of a set of similar circumstances, and may be relevant in the decision of subsequent court cases, a line of similar case decisions will not constitute precedent as understood in common law jurisdictions and will not be binding to the courts or any other authorities or entities in Macau.

Macau practices an independent taxation system and, taking the low tax policy previously pursued in Macau as reference, enacts its own laws and regulations concerning types of taxes, tax rates, tax reductions and exemptions, allowances and expenditures, and other matters of taxation. When applying tax laws and regulations, Macau authorities are subject to the principle of fiscal territoriality and unless double taxation treaties exist. Save where a double taxation treaty is in place and such treaty is invoked by the taxpayer, Macau tax authorities will independently levy taxes on income deemed to be Macau-sourced regardless of whether such income has been, will be or may be taxed in other jurisdictions.

No double taxation treaties or equivalent agreements with Hong Kong are currently in force in Macau that are or could potentially be applicable to our activities. Hence, in relation to income generated by our activities in Macau, Macau authorities will apply the relevant tax laws and regulations thereto, regardless of whether such income has been, will be or may be taxed in any other jurisdictions, including Hong Kong.

Macau follows a calendar fiscal year (from 1 January to 31 December) and its taxation system categorises different types of taxes into direct and indirect taxes which are levied on income as well as on assets and wealth. The most relevant taxes for our activities in Macau are:

(i) Industrial contribution (Law no. 15/77/M of Macau), which corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau; and

(ii) Complementary income tax (Law no. 21/78/M of Macau), which corresponds to a profit tax on earnings from business activities.

The industrial contribution and the complementary income tax are administered by the Macau Finance Bureau.

Infringements to tax statutes may result in the application of sanctions or penalties. While there is not a unified penalty policy, there is no unified statute that lists all infringements to tax laws and their respective penalties. Infringements generally include not declaring income, inaccuracies and omissions in tax returns, refusal to submit requested documents and not cooperating with the tax authorities, concealment, destruction, falsification and vitiation of documents, or non-payment of taxes within the stipulated deadlines. Penalties are in the form of fines which, in general, can range from MOP50 to MOP100,000 and the payment of such fines does not discharge the taxpayer from the payment of the related taxes, interest in arrears or the criminal prosecution that may take place if such criminal prosecution is provided for under the relevant taxation laws.

As a guarantee to the taxpayers, the regulations for each type of tax contain detailed procedures for the latter to file complaints, hierarchical appeals and/or judicial appeals when they consider themselves adversely affected by the decisions or practices of the Macau Finance Bureau.

Industrial Contribution

The industrial contribution (also known as industrial tax or business tax) is regulated by Law no. 15/77/M of Macau, which came into force on 1 January 1978, and corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau.

It may be considered as the Macanese counterpart to the Hong Kong business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the "**Business Registration Ordinance**"), serving similar functions of providing business information for the purpose of the opening of local tax files and is charged annually in a fixed amount.

Article 1 of the Industrial Tax Regulation of Macau states that industrial contribution, in the territory of Macau, is imposed, accounted, calculated and collected according to the terms stated in the Industrial Tax Regulation. Article 2, section 1 of the Industrial Tax Regulation determines that all persons, individual or corporate, who develop any activity that is commercial or industrial in nature are subject to industrial contribution.

Pursuant to the abovementioned article 1 and article 2, section 1 of the Industrial Tax Regulation, only entities that carry-on or wish to carry-on an ongoing commercial or industrial activity in Macau are subject to industrial contribution.

According to article 7 of the Industrial Tax Regulation of Macau, for entities (individual or corporate) that have a permanent establishment in Macau, the process of imposition, calculation and collection of industrial contribution relating to activities developed in Macau must follow certain steps, namely (i) declaration by the taxpayer, (ii) initial classification, (iii) provisional calculation and collection, (iv) payment of tax and start of the activity, (v) report provided by inspection agents, (vi) definite classification, and (vii) confirmation of provisional calculation, cancellation or additional calculation. This procedure starts with the submission by the interested entity to the Macau Finance Bureau of a completed and notarised M1 form for industrial contribution at least 30 days before the probable date of commencement of the respective activity.

The penalties for non-compliance with the provisions of the Industrial Tax Regulation of Macau are as follows:

(i) Persons or entities developing and activity without registering for industrial contribution (where applicable) by submitting the M1 form for industrial contribution may be sanctioned with a fine between MOP200 and MOP100,000 (see article 37 of the Industrial Tax Regulation of Macau);

(ii) Persons or entities that have submitted the M1 form for industrial contribution but commence their activity without paying the tax due may be sanctioned with a fine between MOP200 and MOP100,000 (see article 38 of the Industrial Tax Regulation of Macau);

(iii) Persons or entities that in the M1 form for industrial contribution deliberately conceal the truth or omit any fact relevant to the classification of their activity may, without prejudice of the relevant criminal proceedings that may be started, be sanctioned with a fine between MOP200 and MOP100,000 (see article 40 of the Industrial Tax Regulation of Macau);

(iv) If 60 days have passed after the specified period for the payment of tax, the taxpayer who has not settled the relevant amount may be fined a maximum amount equal to half of the tax payable;

(v) Local entities that do not comply with the obligation of ensuring, before any and each payment is made to an entity that does not have a permanent establishment in Macau and with whom a contract specified in article 9, section 3 of the Industrial Tax Regulation of Macau has been executed, that such entity has registered for the purposes of industrial contribution (when applicable) are jointly liable with the entities that do not have permanent establishments in Macau for the industrial contribution eventually due by such entity that does not have a permanent establishment in Macau. Furthermore, the amount paid according to the contract executed with such entity that does not have a permanent establishment in Macau will not be treated as a deductible expense for tax purposes of the local entities or, if they are exempted from the payment of complementary income tax, the local entities may be liable to pay a fine corresponding to 10% of that amount.

Whenever there is a voluntary presentation for payment of these taxes and corresponding fines pursuant to article 43 of the Industrial Tax Regulation of Macau the maximum penalty is to be reduced to half.

If a taxpayer considers that they have been aggrieved by a decision or act of the Macau Finance Bureau in relation to the provisions of the Industrial Tax Regulation of Macau, they may request that such decision or act be modified or revoked through an administrative complaint filed within 15 days of the notice of the decision with the entity that made such a decision or act. The decision of the administrative complaint may be appealed to the Chief Executive of Macau via a hierarchical appeal to be filed within two months of the notice of the appealed decision. Alternatively (and concurrently), the taxpayer may file a judicial appeal in first instance with the Macau Administrative Court, within 45 days of the notice of the decision. The Macau Administrative Court's decision may be appealed to higher courts of Macau. None of the administrative complaint, hierarchical appeal or judicial appeal have a staying effect on the decision or act.

It should be noted that since 2002 the payment of industrial contribution in Macau has been exempted by the annual Budget Laws of Macau.

Complementary Income Tax

Complementary income tax is regulated by Law no. 21/78/M of Macau, dated 9 September, 1978, as successively amended by Law no. 6/83/M, dated, 2 July, 1983, by Decree-Law no. 37/84/M, dated 28 April, 1984, by Decree-Law no. 15/85/M, dated 2 March, 1985, by Decree-Law no. 37/85/M, dated 11 May, 1985, by Law no. 13/88/M, dated 20 June, 1988, by Decree-Law no. 48/88/M, dated 20 June, 1988, by Law no. 4/90/M, dated 4 June, 1990, by Law no. 11/93/M, dated

27 December, 1993, by Law no. 4/97/M, dated 21 April, 1997, by Law no. 12/2003, by Law no. 4/2005, by Law no. 4/2011, and by Law no. 21/2019, which came into force on 1 January 1979, and corresponds to a profit tax on earnings from commercial or industrial activities.

Article 1 of the Complementary Income Tax Regulation of Macau states that such tax, in Macau, is imposed, accounted, calculated and collected according to the terms stated in the Complementary Income Tax Regulation of Macau. Pursuant to article 2 of the Complementary Income Tax Regulation of Macau, taxpayers liable to pay complementary income tax are divided into two groups, A and B. A Group A taxpayer is an individual or corporation with complete and appropriate accounting records audited by a registered auditor or accountant in Macau that has applied for such status. Any other taxpayers whose registered capital is not more than MOP1,000,000 or does not, on average, have taxable profits for the three preceding years of over MOP500,000 or reports their taxable profits by themselves (without auditing by a registered auditor or accountant in Macau) are considered Group B taxpayers.

Article 2 of the Complementary Income Tax Regulation of Macau determines that complementary income tax is levied over the global revenue defined according to article 3 of the aforementioned Regulation that any individual or corporation, regardless of residency or head office, derive from Macau. Article 3, section 2 of the Complementary Income Tax Regulation of Macau determines that the global revenue of corporations corresponds to the annual net profits derived from conducting commercial or industrial activity in Macau, calculated in accordance with the provisions of the aforementioned Regulation. Profits are defined under article 20 of the Complementary Income Tax Regulation of Macau as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau.

Pursuant to the abovementioned article 2, article 3, section 2 and article 20 of the Complementary Income Tax Regulation of Macau, Macau residents are taxed on worldwide income (profits) and non-Macau residents are taxed only on Macau-sourced income (profits).

If a foreign entity is engaged in commercial/industrial activities and/or rendering services in Macau, the resultant gain from such commercial/industrial activities and/or services rendered will be subject to complementary income tax in Macau. Income will generally be regarded as arising in or derived from Macau if it is received in consideration of activities or services performed by the taxpayer in Macau. When the foreign entity is not habitually engaged or does not habitually conduct commercial or activity in Macau, the Macau Finance Bureau's current interpretation of articles 2 and 3 of the Complementary Income Tax Regulation of Macau and practice in Macau is that, except for those specific activities and services listed under article 9, sections 1 and 3 of the aforementioned Regulation, entering into an isolated transaction in Macau would not constitute conducting commercial or industrial activity in Macau.

If a foreign entity is not "engaging in commercial/industrial activities in Macau" nor "rendering services in Macau" and it has not executed any contracts with Macau entities related to construction works, prospection activities, research related thereto or technical or scientific services (including mere consultancy or assistance) it will not be subject to taxation in Macau, namely to complementary income tax.

The non-subjection of the foreign entity to complementary income tax in Macau would be further underlined if the location where contracts are executed is not Macau, if the location where the obligations under the contracts are performed is not Macau, if the location where payments are made or received is not Macau and the foreign entity's has no direct involvement in Macau.

According to article 10, section 1 of the Complementary Income Tax Regulation of Macau, entities (individual or corporate) that in the preceding year have obtained profits in Macau as defined in article 3 of the Complementary Income Tax Regulation of Macau are required to submit a Complementary Income Tax Form M/1 with the Macau Finance Bureau. As the Company is a Group A taxpayer, as provided by article 4, section 2 of the Complementary Income Tax Regulation, and as described above in this section, such annual tax return must be submitted in the months of April, May or June, as opposed to Group B taxpayers, who must file their tax returns in the months of February or March. A foreign entity's Complementary Income Tax Form M/1 must be submitted by a lawful attorney and shall indicate, for tax purposes, an address in Macau, without which the tax return is considered as not having been duly submitted.

It is possible for Macau tax authorities, pursuant to Article 36, paragraph 3 of the Complementary Income Tax Regulation, to launch an own-motion procedure of tax assessment upon failure or insufficiency of the Form M/1 of a Group A taxpayer, to the effect of enabling said authorities to issue the notice of assessment and tax demand notice to Group A taxpayer, even in the absence of a Form M/1 filing (or in the case of a late tax filing).

The taxable profit of Group A taxpayers reports to the balance revealed by the profit and loss accounts, drafted pursuant to acceptable accounting principles and shall consist in the difference between all profits or gains, irrespective of source, accrued in the financial year precedent to that in course, and the expenses or losses attributable to that same financial year. As described above, profits are defined under article 20 of the Complementary Income Tax Regulation of Macau as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau. Losses are defined under article 21 of the Complementary Income Tax Regulation of Macau as the costs or losses attributable to the operations which support the realisation of taxable profits or gains and maintain productivity.

It is possible for Macau tax authorities to order an examination or audit of a Group A taxpayer's accounting records when there is an absence of insufficiency of information in the tax returns not clearly explained by the taxpayer or their accountants or auditors, or when despite the clarifications provided by the taxpayer or their accountants or auditors, the results of the financial year are not sufficiently justified. The examination or audit will be conducted, without any costs for the taxpayer, by employees of the Macau Finance Bureau or, in their absence, by specially recognised experts nominated by the Chief Executive of Macau and the taxpayer's accountants or auditors responsible for the tax returns filed are entitled to be present at the examination/audit. If after the examination/audit it is still impossible to determine the taxable income or if there are justified doubts on whether the results of the accounting records correspond to the reality, complementary income tax will be levied on estimated profits (see Article 40 of the Complementary Income Tax Regulation of Macau).

Pursuant to Article 44 of the Complementary Income Tax Regulation of Macau the determination of the taxable income may be challenged by the interested taxpayer to the Revision Commission of Macau within 20 days counted from the sending date stated on the notice sent to the taxpayer by registered post. Such challenge has a suspensive effect and should be decided within 30 days of its presentation. The decision of the Revision Commission may not be challenged through administrative complaints or hierarchical appeals and must be judicially appealed, without a staying effect, before the Macau Administrative Court, within 45 days of the notice of the decision. The Macau Administrative Court's decision may be appealed to higher courts of Macau.

Pursuant to article 57 of the Complementary Income Tax Regulation of Macau, once determined, complementary income tax is paid in two equal instalments in September and November of each year, save if the tax due is not over MOP3,000, in which case it is paid in only one instalment. Pursuant to article 59 of the Complementary Income Tax Regulation of Macau, the non-payment or delayed payment of the tax due is subject to interest in arrears and to 3% interest for debts in the 60 days immediately following the payment deadline. After such 60 days the Macau Finance Bureau will advance to tax execution proceedings to seek payment of the unpaid tax. Furthermore, the non-payment of the first instalment also determines that the amount of the second instalment is immediately due.

The statute of limitations period is five assessment years from the relevant year of assessment for both Group A and Group B taxpayers. During this five-year period, in case there is an omission in the calculation of the complementary income tax due or a factual or legal error is discovered resulting in damages to either the Government or the taxpayer, the Macau Finance Bureau may correct the discrepancy through an additional calculation or cancellation if the amount is over MOP50 (see articles 54 and 55 of the Complementary Income Tax Regulation of Macau).

Among others, the penalties for non-compliance with the provisions of the Complementary Income Tax Regulation of Macau are as follows:

(i) Non-submission, inaccuracy or omissions of tax returns and not providing clarifications when requested may be sanctioned with a fine between MOP100 and MOP10,000 in cases of negligence and with a fine between MOP1,000 and MOP20,000 in cases with intent (see article 64, sections 1, 2 and 3 of the Complementary Income Tax Regulation of Macau);

(ii) If irregularities are found and/or the taxpayer and/or their accountants and auditors are reticent to provide clarifications in the context of an audit or examination to the taxpayer's accounting records, taxpayers may be sanctioned with a fine between MOP1,000 and MOP20,000 (see article 64, section 4 of the Complementary Income Tax Regulation of Macau); and

(iii) Refusal to exhibit accounting records or documents related thereto to the tax authorities, as well as their hiding, destruction, falsification or vitiation may be sanctioned with a fine between MOP1,000 and MOP20,000 for Group A taxpayers and between MOP500 and MOP10,000 for Group B taxpayers (see article 65, sections 1(c) and 2(b) of the Complementary Income Tax Regulation of Macau).

Whenever there is a voluntary presentation for payment of these taxes and corresponding fines pursuant to article 68 of the Complementary Income Tax Regulation of Macau the maximum penalty is to be reduced to half.

If a taxpayer considers that they have been aggrieved by a decision or act of the Macau Finance Bureau in relation to the provisions of the Complementary Income Tax Regulation of Macau (other than the determination of taxable income, which must follow the specific procedure described above), they may request that such decision or act be modified or revoked through an administrative complaint filed within 15 days of the notice of the decision with the entity that made such a decision or act. The decision of the administrative complaint may be appealed to the Chief Executive of Macau via a hierarchical appeal to be filed within two months of the notice of the appealed decision. Alternatively (and concurrently), the taxpayer may file a judicial appeal in first instance with the Macau Administrative Court, within 45 days of the notice of the decision.

The Macau Administrative Court's decision may be appealed to higher courts of Macau. None of these administrative complaints, hierarchical appeals or judicial appeals have a staying effect on the decision or act.

Complementary income tax in Macau, as per article 7 of the Complementary Income Tax Regulation of Macau is levied at progressive rates between 3% and 12% with taxable profits up to MOP32,000 exempt from taxation, as follows:

Annual Taxable Income	Tax Rate
Up to MOP32,000	Exempt
In what exceeds and progressively:	
From MOP32,001 to MOP65,000	3%
From MOP65,001 to MOP100,000	5%
From MOP100,001 to MOP200,000	7%
From MOP200,001 to MOP300,000	9%
Above MOP300,000	12%

HONG KONG LAWS AND REGULATIONS

There are no specific statutory requirements for us to obtain any licences for carrying on our businesses in Hong Kong other than the general legal requirement for applying and obtaining valid business registration certificate under the Business Registration Ordinance and with the exception to the specific statutory requirement that valid licence shall be obtained to cover the import of certain strategic commodities from the Director-General of Trade and Industry of Hong Kong by our Group. Further, there are no specific statutory provisions to regulate the business activities carried out by us in Hong Kong other than the general statutory provisions applicable to the businesses involving the sales of goods and supply of services.

Business registration

The Business Registration Ordinance requires that every person carrying on any business shall make application to the Commissioner of Inland Revenue of Hong Kong in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue of Hong Kong must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Supply of goods

The Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the "**Sales of Goods Ordinance**") which aims to codify the law relating to the sale of goods provides that:

(i) under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;

(ii) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (a) as regards defects specifically drawn to the buyer's attention before the contract is made; or (b) if the buyer examines the goods

before the contract is made, as regards defects which examination ought to reveal; or (c) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(iii) under section 17, where there is a contract for sale by sample, there are implied conditions that (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Where any right, duty or liability arises under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the "**Control of Exemption Clauses Ordinance**")) be negatived or varied by express agreement, or by the course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Supply of services

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (the "**Supply of Services (Implied Terms) Ordinance**") which aims to consolidate and amend the law with respect to the terms to be implied in contracts for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire under the contract) provides that:

(i) where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and

(ii) where the supplier is acting in the course of a business, the time for service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Where a supplier is dealing with a party to a contract for supply of service who deals as a consumer, the supplier cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Other than the aforementioned, where any right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negatived or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

Control of exemption clauses

The Control of Exemption Clauses Ordinance, which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise, provides that:

(i) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirements of reasonableness;

(ii) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (a) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; or (b) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (c) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;

(iii) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and

(iv) under section 11, as against a person dealing as consumer, the liability for breach of the obligations arising under sections 15, 16 and 17 of the Sales of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against person dealing otherwise than as consumer, the liability arising under sections 15, 16 and 17 of the Sales of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the terms satisfy the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to, among others, any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purpose of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regarded to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Strategic commodities

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) requires that the import and export of the articles contained in the schedules to the Import and Export (Strategic Commodities) Regulations (Chapter 60G of the Laws of Hong Kong) (the "**Regulations**") must be covered by valid licences issued by the Director-General of Trade and Industry of Hong Kong.

Products in relation to information security systems, their equipment and components, which we sourced from our suppliers during the Track Record Period are articles contained in Schedule 1 Category 5 Part 2 of the Regulations and are therefore subject to the licensing control.

Licence applications should be made for the import and export of the strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department of the Government of Hong Kong. On issuing of a licence, apart from the standard licence conditions, the Director-General of Trade and Industry of Hong Kong may, depending on circumstances of individual cases, impose special and additional conditions on approved licences. For the abovementioned products, one common special licence condition is that the licence only authorises import of the goods for civil end-use. Any further export or transfer of the goods for the use other than civil end-user(s) requires prior notice to and approval from the Director-General of Trade and Industry.

PRC LAWS AND REGULATIONS

Regulations in relation to foreign investment

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the National People's Congress of the PRC on 15 March 2019, and came into effect on 1 January 2020, provides that the foreign investment refers to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organisations, including the following: (i) foreign investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (ii) foreign investors acquiring shares, equities, properties or other similar rights of the PRC domestic enterprises; (iii) foreign investors investing in new projects in the PRC alone or collectively with other investors; and (iv) foreign investors investing through other ways prescribed by laws and regulations or the State Council the PRC. The PRC adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the PRC. The PRC will grant national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council of the PRC. On 30 December 2019, the Ministry of Commerce of the PRC (中華人民共和國商務部) (the "**MOFCOM**") and the State Administration for Market Regulation of the PRC (國家市場監督管理總局) (the "**SAMR**") jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and pursuant to which, the establishment of the foreign invested enterprises, including establishment through purchasing the equities of a domestic enterprise or subscribing the increased capital of a domestic enterprise, and its subsequent changes are required to submit an initial or change report through the enterprise registration system.

Foreign investment in the PRC is subject to the Catalogue for the Encouraged Investment Industries (2020 Edition) of the PRC (《鼓勵外商投資產業目錄(2020年版)》) issued on 27 December 2020 and effective from 27 January 2021, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單) (2021年版)》) issued on 27 December 2021 and effective from 1 January 2022, which together comprise the encouraged foreign-invested industries catalogue and the special

administrative measures for the access of foreign investments to the restricted or the prohibited foreign-invested industries. The latter sets out restrictions such as percentage of shareholding and qualifications of senior management.

Regulations in relation to cyber security and data protection

CAC Measures and Draft CAC Regulations

On 28 December 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**"), jointly with other twelve PRC governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**CAC Measures**"), which became effective on 15 February 2022. The CAC Measures provides that, among others (i) online platform operators possessing personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review before conducting any listing in a foreign country; (ii) the purchase of network products and services of a critical information infrastructure operator (the "**CIIO**") and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review; and (iii) the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine any network products and services and data processing activities affect or may affect national security.

On 14 November 2021, the CAC promulgated the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》) (the "**Draft CAC Regulations**"). According to the Draft CAC Regulations, data processors shall, in accordance with relevant PRC regulations, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganisation or separation of online platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) processing personal information of more than one million individuals and seeking a listing in a foreign country; (iii) apply for listing in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As at the Latest Practicable Date, the Draft CAC Regulations are still in draft form and subject to change with substantial uncertainty.

On 29 April 2022, our PRC Legal Advisers and Sponsor's legal advisers conducted a telephone consultation (the "**Consultation**") with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**"), the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review which was established under the CAC in accordance with the Cybersecurity Review Measures for Cyber Security Reviews. The CCRTCC confirmed that (i) a listing in Hong Kong does not fall within the definition of "listing in a foreign country", and our **[REDACTED]** is not required to apply for the cybersecurity review under the CAC Measures; (ii) a CIIO under the CAC Measures shall be identified by its competent authority; (iii) an online platform operator under CAC Measures shall mean an operator collecting, processing, storing and using data through online technology; and (iv) the Draft CAC Regulations are in draft form and have not yet come into effect, currently we are not required to apply for cybersecurity review under the Draft CAC Regulations. Our PRC Legal Advisers are of the view that the CCRTCC is the competent authority to provide the above confirmation during the Consultation.

Other regulations in relation to cyber security and data protection

On 7 November 2016, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on 1 June 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and strengthen the network information management. On 10 June 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**PRC Data Security Law**"), which became effective on 1 September 2021. Pursuant to the PRC Data Security Law, data refers to any record of information in electronic or any other form and data processing including the collection, storage, use, processing, transmission, provision, and public disclosure of data.

On 28 May 2020, the SCNPC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on 1 January 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which took effect from 1 November 2021. The Personal Information Protection Law stipulates, among other things, the circumstances under which a personal information processor could process personal information, such as: (i) with the consent of individual; (ii) if necessary for the execution or performance of a contract to which the individual is a party; (iii) if necessary to fulfill statutory duties and statutory obligations; (iv) in order to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) such information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation.

Compliance with the relevant laws and regulations in relation to cyber security and data protection

As at the date of this document, we confirm that we have not been notified by any authorities of being identified as a CIIO, and have not received any notice from the competent government authorities requiring us to apply for the cybersecurity review, neither have we been subject to any enquiry, investigation, or sanction imposed by any regulatory authorities in relation to cyber security or data protection.

Based on (i) the above confirmation from our Company; (ii) the Consultation with CCRTCC; and (iii) the fact that our PRC subsidiaries only serve as IT service providers, and are not involved in the collection, process, storage, use, transmission, provision or public disclosure of data during their business operation, our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had not violated the relevant PRC laws and regulations in relation to cyber security and data protection in all material respects. Moreover, since our PRC subsidiaries do not conduct any online data processing activities under the Draft CAC Regulations during their business operation, if the Draft CAC Regulations take effect in the current proposed form, our PRC Legal Advisers are of the view that we are not subject to the Draft CAC Regulations.

Regulations in relation to foreign exchange administration

The principal law governing foreign currency exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange the PRC (《外匯管理條例》) (the "**Foreign Exchange Regulations**"), which was enacted by the State Council of the PRC on 29 January 1996 and most recently revised on 5 August 2008. According to the Foreign Exchange Regulations, the RMB is freely convertible for "current account transactions", which include, among other things, dividend payments, interest and royalties payments, trade and service-related foreign exchange transactions. For "capital account transactions" which principally include direct investments, loans, securities investments and repatriation of investments, prior approval of and registration with the PRC Administration of Foreign Exchange of the PRC (the "**SAFE**") or its local branches is generally required.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises of the PRC (《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》) (the "**Circular 19**"), which came into effect on 1 June 2015 and replaced the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) promulgated by the SAFE on 29 August 2008. Under the Circular 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account (a bank account opened by a foreign-invested enterprise where the foreign shareholder(s) are required to remit and deposit the amount of respective capital contributions), for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). Meanwhile, the use of such Renminbi should still comply with the restrictions set in this circular in that it cannot be directly or indirectly used for making payments beyond the business scope of the enterprise or payments prohibited by national laws and regulations, investing in securities unless otherwise provided by laws and regulations, granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) repaying the bank loans in Renminbi that have been lent to a third party, and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**"), which took effect on the same day. According to the Circular 16, enterprises registered in the PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital and external debts), which is applicable to all enterprises registered in China. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so, and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

Regulations in relation to taxation

Enterprise income tax

According to the PRC Enterprise Income Law (《企業所得税法》) (the "**EIT Law**"), which was promulgated on 16 March 2007 and last amended on 29 December 2018, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law (《企業所得税法實施條例》) (the "**EIT Rules**"), was promulgated on 6 December 2007, came into effect on 1 January 2008, and amended on 23 April 2019. Pursuant to the EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organisation or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organisation or establishment in the PRC. A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income. Moreover, pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which were issued by the State Administration of Taxation of the PRC (the "**SAT**") on 21 August 2006 and came into effect on 8 December 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law; however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforementioned enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforementioned enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, the Announcement of the State Administration of Taxation on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), promulgated by the SAT on 3 February 2018, and came into effective on 1 April 2018, has stipulated some factors that are unfavourable to the determination of "beneficial owner".

In addition, under the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT on 20 February 2009, and came into effect on the same date, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a PRC resident company: (i) such tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the PRC resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council of the PRC on 13 December 1993, came into effect on 1 January 1994, and was last amended on 19 November 2017, and the Implementing Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated by the Ministry of Finance on 25 December 1993 and amended on 1 January 2009 and 1 November 2011, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of value-added tax, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

PRC enterprise income tax on indirect transfer of non-resident enterprises

On 3 February 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Circular 7**"). The Circular 7 stipulates that when a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognised to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the EIT Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfil one of the conditions as stipulated under the Circular 7.

Further according to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得税源泉扣繳有關問題的公告》) issued by the SAT on 17 October 2017 and revised on 15 June 2018, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets (hereinafter referred to as "**equities**"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise.

Regulations in relation to labour and social welfare

The PRC Labour Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 5 July 1994, and amended on 27 August 2009 and 29 December 2018, and the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the "**Labour Contract Law**"), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 29 June 2007 and then amended on 28 December 2012, govern the relationship between employers and employees and provide for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Under applicable PRC laws and regulations, including the PRC Social Insurance Law (《社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2010, became effective on 1 July 2011, and amended on 29 December 2018 and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was amended by the State Council of the PRC on 24 March 2002, and amended on 24 March 2019, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, employment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.