
REGULATORY OVERVIEW

A summary of the most significant rules and regulations affecting our business activities in China is set out in this section.

PRINCIPAL REGULATORY AUTHORITIES

We are mainly engaged in the design, development, production and sales of EV batteries and ESS products, and are subject to the supervision of the National Development and Reform Commission (the “NDRC”) and the Ministry of Industry and Information Technology of the PRC (the “MIIT”).

The main functions undertaken by the NDRC include: formulating and implementing strategies on national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, working on the coordination and solution of major economic concerns and adjusting economic operation.

The main functions undertaken by the MIIT include: drawing up new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies, including the regulations for the industries of EV battery; monitoring and analyzing the trend of operation of industrial sector; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

INDUSTRIAL POLICES

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the NDRC.

Foreign investors and foreign-invested enterprises investing in China shall comply with the Catalog of Industries for Encouraging Foreign Investment (2020 edition) (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and took effect on January 27, 2021. Pursuant to the Catalog, the manufacturing of EV battery involved in our Company’s operation falls within the scope of industries in which foreign investment is encouraged.

According to the Guiding Catalog for Industrial Restructuring (《產業結構調整指導目錄》), which was promulgated by the NDRC on December 2, 2005, with the latest amendment on December 30, 2021, and was effective on December 30, 2021, new primary EV batteries including lithium-iron disulfide (Li-FeS₂) batteries and lithium thionyl chloride (LiSOCl₂) batteries, new batteries including lithium-ion batteries, nickel-hydrogen batteries, sealed lead-acid batteries with new structures (including bipolar, horizontal, coiled and tubular); lead-carbon batteries, super batteries, fuel cells, lithium/carbon fluoride batteries and supercapacitors fall into the state-encouraged industries.

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According to the Guiding Catalog for Key Products and Services for Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》) promulgated by the NDRC on January 25, 2017, packet assemblers and offline testing equipment dedicated for lithium-ion battery cells, modules and systems; supercapacitor cells, modules and systems; new system EV batteries cells, modules and systems; hybrid energy storage power modules and systems; modular nickel-metal hydride battery ESS; battery management systems, super capacitor management systems; electromechanical coupling systems, EV battery systems, high-voltage wiring harnesses and other components; packet assemblers for fuel cell system; automobile-specific final assembly equipment; and recycling of used new energy vehicle EV batteries are key products and services for strategic emerging industries.

According to the Notice of the 14th Five-Year Plan for Circular Economy Development (《「十四五」循環經濟發展規劃的通知》) issued by the NDRC on July 1, 2021, in order to vigorously develop circular economy, promote resource conservation and intensive use, and build a resource recycling industrial system and recycling system of waste materials, the establishment of the traceability management platform for the EV batteries of NEVs shall be strengthened, and the traceability management system for the recycling and reuse of the EV battery of NEVs shall be improved.

According to the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》) jointly promulgated by the NDRC and the National Energy Administration on July 15, 2021, the PRC will strive to build a clean, low-carbon, safe and efficient energy system, and seek to drive down the cost and advance the commercial-scale application of more mature new energy storage technologies such as lithium-ion batteries, in an effort to achieve carbon peak and carbon neutrality. By 2025, it will realize the transition from the early stage of commercialization to scale development of new energy storage such as lithium-ion batteries. By 2030, it will realize the full market-oriented development of new energy storage, and new energy storage will become one of the key supports for carbon peak and carbon neutrality in the energy sector.

COMPANY LAW

According to the PRC Company Law implemented by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993 and amended, passed and came into effect on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, both of limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital they have contributed or shares they have subscribed for. The PRC Company Law also applies to foreign-invested enterprises. Where laws on foreign investment have other stipulations, such stipulations shall apply.

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LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) implemented by the SCNPC on March 15, 2019 and came into effect on January 1, 2020, China implements the pre-entry national treatment and the Negative List management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable 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 State. The State will give national treatment to foreign investments outside the Negative List.

Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be pushed by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information.

The Special Administrative Measures for the Access of Foreign Investment (the “Negative List”) (《外商投資准入特別管理措施(負面清單)(2021年版)》) was promulgated by the NDRC and the MOFCOM on December 27, 2021 and came into effect on January 1, 2022, and it sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

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POLICIES AND REGULATIONS RELATING TO EV BATTERY, ENERGY STORAGE AND BATTERY RECYCLING

According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》) promulgated by the State Council and became effective on October 24, 2021, China will focus on the implementation of “Ten Major Peaking Carbon Dioxide Emissions Actions”, such as the actions for energy transition, energy saving and carbon reduction, and low-carbon transportation. Among which, the actions related to the EV battery and energy storage mainly include: (1) in terms of the action for energy green and low-carbon transition, China will speed up the construction of new electric power systems, actively develop the “new energy + energy storage” model, promote coordination of power source-grid-load-storage, use multiple energy sources to supplement each other, support the deployment of appropriate ESS for distributed new energy sources, and accelerate the broad demonstration and application of new types of energy storage. By 2025, installed capacity of new types of energy storage will reach 30 gigawatts or more; (2) in terms of the action for energy saving, carbon emission mitigation and efficiency improvement, China will strengthen energy conservation and carbon reduction in new types of infrastructure by employing models including DC power supply, distributed energy storage, and “solar + storage” mode, making explorations into diversified energy supply; (3) in terms of the action for promoting green and low-carbon transportation, China will promote low-carbon transformation of transportation vehicles and equipment and vigorously promote new-energy vehicles, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership. By 2030, the share of incremental vehicles fueled by new and clean energy will reach around 40%.

According to the Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full And Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) promulgated by the Central Committee of the Communist Party of China and the State Council and became effective on September 22, 2021, it expressly stipulates that, in order to achieve the main objectives of carbon peak and carbon neutrality as scheduled, China will accelerate the building of a clean, low-carbon, safe and efficient energy system; speed up the construction of a low-carbon transportation system, optimize the transportation structure, and continue to reduce transportation energy consumption and carbon dioxide emission intensity, promote energy-saving and low-carbon transportation, guide low-carbon way of travel; strengthen key green and low-carbon technological research and promotion and application, carry out research on low-carbon, zero-carbon, carbon negative and new energy storage materials, and strengthen the research, demonstration and industrial application of new energy storage technologies such as electrochemistry.

According to the Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) approved by the NPC and became effective on March 11, 2021, China will promote the safe and efficient use of clean, low-carbon energy, and deepen low-carbon transformation in areas including industry, construction and transportation, focus on strategic emerging industries such as NEVs, accelerate the innovation and application of key core technologies, build a modern energy system, and accelerate the construction of pumped-storage power stations and the large-scale application of new energy storage technologies.

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According to the “Planning for the Development of the New Energy Automobile Industry (2021-2035)” (《新能源汽車產業發展規劃(2021–2035年)》) promulgated by the General Office of the State Council and came into effect on October 20, 2020, China’s new energy vehicle industry has entered a new stage of accelerated development. It is clearly mentioned that the implementation of battery technology breakthroughs will promote various programs such as the development of the full value chain of EV battery, the construction of a high-efficiency EV battery recycling system, and the acceleration of the promotion of EV battery recycling legislation. By 2025, the competitiveness of China’s new energy vehicle market will be significantly enhanced, with the sales volume of NEVs reaching about 20% of the total sales volume of new vehicles.

According to the Regulations for the Administration of New Energy Storage Projects (Interim) (《新型儲能項目管理規範(暫行)》) promulgated by the National Energy Administration on September 24, 2021, the competent energy department under the State Council is responsible for the planning, guidance, supervision and administration of new energy storage projects nationwide; the competent provincial energy department will, in accordance with the national development plan for new energy storage, study the key tasks of the region and guide the development of new types of energy in the region and provide guidance on energy storage development following the principles of integrated planning, adjusting measures to local conditions, innovation-driven, demonstrating first, market-oriented and orderly development, safety-based and standardized management.

According to the Action Plan for Promoting the Development of the Automotive EV Battery Industry (《促進汽車動力電池產業發展行動方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the “MOST”) and the MOF on February 20, 2017, the development of EV battery in China is promoted in three stages: In 2018, we will improve the cost performance of existing products to ensure the supply of high-quality battery. In 2020, we will achieve large-scale application of a new generation of lithium-ion EV battery based on the improvement of existing technologies. In 2025, we will adopt new battery systems based on new chemical principles and strive to achieve technological changes and development testing.

According to the Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》) promulgated by the MIIT, the MOST, former Ministry of Environmental Protection, Ministry of Transportation, the MOFCOM, former General Administration of Quality Supervision, Inspection and Quarantine of the PRC and National Energy Administration on January 26, 2018 and became effective on August 1, 2018, vehicles manufacturers shall establish recycling channel for power storage batteries, to recycle wasted power storage batteries generated from the use and retirement of NEVs. Vehicles manufacturers shall establish recycling network, responsible for the collection, storage of the wasted and used power storage batteries and transferring them to its partnered enterprises. Vehicles manufacturers, batteries manufacturers, retired vehicles recycling and dismantling enterprises and comprehensive utilization enterprises are encouraged to jointly build and share recycling channel for wasted power storage batteries through various means.

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According to Requirements of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件》) and Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範公告管理暫行辦法》) promulgated by the MIIT on December 16, 2019 and became effective on the same date, enterprises that carry out echelon recovery or recycling recovery of wasted power storage batteries of NEVs shall follow the principle of echelon recovery first, and then recycling recovery to improve the comprehensive utilization according to the national and industrial standards and technical information such as dismantling, disassembling and historical data of power storage batteries provided by new energy vehicle manufacturers and other manufacturers. Established new energy vehicle manufacturers and EV batteries manufacturers are encouraged to participate in new comprehensive utilization projects.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) latest amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall (i) provide production safety conditions as stipulated in Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

According to the Measures for the Supervision and Administration of “Three Simultaneities” for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and

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apply to the work safety administrative department for the completion and acceptance or the filing of its projects. If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make correction within the specified time limit may result in the enterprise being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

LAWS AND REGULATIONS RELATING TO RADIATION SAFETY

According to the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) promulgated by the SCNPC on June 28, 2003 with effect from October 1, 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate special person to be responsible for the system, ensure the implementation of the system of liability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the Regulations on the Security and Protection of Radioisotope and Radioactive Ray Devices (《放射性同位素與射線裝置安全和防護條例》), which were promulgated by the State Council on September 14, 2005 and revised on July 29, 2014, and March 2, 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which were promulgated by the former Ministry of Environmental Protection on January 18, 2006 and revised on November 21, 2008, December 12, 2017, August 22, 2019 and January 4, 2021, stipulate that any entity producing, selling or using radioisotopes or radiation-emitting devices of different categories shall obtain a radiation safety license (輻射安全許可證).

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law"), promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes crime.

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LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (“Environmental Protection Law”) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015, the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on November 29, 1998 and came into effect on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, Administration Regulations on Record-filing of the Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 16, 2016 and came into effect on January 1, 2017, the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 20, 2017 and effective on November 20, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form.

Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

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Air Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018, respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Solid Waste

According to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, amended on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020, respectively, and implemented on September 1, 2020, construction projects where solid wastes are generated or projects for storage, utilisation or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, amended on May 15, 1996, February 28, 2008 and June 27, 2017, respectively, and implemented on January 1, 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

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Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996, amended on December 29, 2018 and implemented on December 29, 2018, construction, renovation or expansion projects must conform to the regulations of environmental protection. Where a construction project might cause environmental noise pollution, the enterprises undertaking the project must prepare an environmental impact report which includes the measures it takes to prevent and control such noise pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project.

Environmental Protection Tax Law

According to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on December 25, 2016, amended on October 26, 2018 and implemented on the same day, and the Regulations for the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》) came into effective on January 1, 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the Administrative Regulations on the Collection and Use of Pollutant Discharge Fees (《排污費徵收使用管理條例》) was repealed and no more pollutant discharge fees shall be collected. According to the Environmental Protection Law, in the event that an entity discharges pollutant in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, amended on April 6, 2004 and November 7, 2016, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to relevant provisions, the customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

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According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, amended on December 20, 2017 and May 29, 2018 and effective on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on November 19, 2021, and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators. The Administrative Provisions on the Registration of Customs Declaration Entities of the PRC was repealed simultaneously.

LAWS AND REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018 respectively, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012 and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, effective on the same date, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, recently amended and effective on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) recently amended by the State Council and effective on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on

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the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) (Guo Ban Fa [2019]10), the State facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, recently amended on October 17, 2020 and effective on June 1, 2021 as well as the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on December 21, 1992, effective on January 1, 1993 and recently amended on January 9, 2010 and effective on February 1, 2010, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

An invention-creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

REGULATORY OVERVIEW

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) considered and approved by the SCNPC on August 23, 1982, effective on March 1, 1983 and recently amended on April 23, 2019 and effective on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) recently amended by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) considered and approved by the SCNPC on September 7, 1990, effective on June 1, 1991, recently amended on November 11, 2020 and effective on June 1, 2021, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

REGULATORY OVERVIEW

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of “first come, first served” applies to domain name registration service. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO THE EIT

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) latest amended by the SCNPC and came into effect on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) latest amended by the State Council and coming into effect on April 23, 2019, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.