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## REGULATORY OVERVIEW

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### LEGAL REGULATION AND LEGAL BRIEFS IN CHINA

#### Part I. Main regulatory authorities

- (1) The Ministry of Industry and Information Technology of the People's Republic of China and its agencies are in charge of national industrial and informatization work, formulating and organising the implementation of industrial sector plans, industrial policies and standards; monitoring the daily operation of the industrial sector; promoting the development of major technical equipment and independent innovation; managing the communications industry, guiding the promotion of informatisation construction; coordinating the maintenance of national information security, and being responsible for the approval of telecommunications equipment access to the Internet (including trial), the licensing of telecommunications business, the organisation and implementation of technical specifications and standards for software, system integration and services, and the approval of radio transmission equipment models. Local Economic and Information Commissions are the departments in charge of local industry and information technology.
- (2) The National Copyright Administration, Copyright Protection Center of China and local software registration offices. The National Copyright Administration is in charge of registration and management of software copyright, while the Copyright Protection Center of China and the local software registration offices set up by the Center are mainly responsible for software registration.
- (3) The Ministry of Commerce of the People's Republic of China and local commercial authorities are responsible for the supervision and management of foreign investment.
- (4) The Ministry of Human Resources and Social Security of the PRC and local departments of Human Resources and Social Security are responsible for labour security supervision.
- (5) The SAT and its sub-bureaus are responsible for collection and administration of tax, and assume the function of enforcing state taxation.
- (6) The State Administration of Foreign Exchange and its sub-bureaus are responsible for carrying out supervision and inspection of foreign exchange in accordance with the law, and imposing penalties for violations of foreign exchange management.
- (7) The Cyberspace Administration of China and local cyberspace offices are responsible for the management of Internet information content, and for the approval and daily supervision of online news services and other related businesses.

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- (8) Civil affairs departments and sports administrative departments are responsible for the administration of welfare lotteries and sports lotteries in their respective administrative regions in accordance with their respective responsibilities.
- (9) The State Administration of Market Regulation and the local market supervision bureaus are responsible for market supervision and management of business activities.
- (10) China National Intellectual Property Administration is responsible for the examination, registration and administrative adjudication of intellectual property rights, and trademark registration, patent examination, and registration of integrated circuit layout design.

### **Part II. Summary of regulatory legislation**

#### ***I. Regulations concerning foreign investment***

Foreign investors investing in China shall comply with the “Catalogue of Industries for Encouraging Foreign Investment” and the “Special Management Measures (Negative List) for the Access of Foreign Investment” jointly issued by the State Development and Reform Commission and Ministry of Commerce. Catalogue of Industries for Encouraging Foreign Investment was amended on 27 December 2020 and became effective on 27 January 2021, further reducing restrictions on foreign investment. On 27 December 2021, the State Development and Reform Commission and the Ministry of Commerce jointly issued the “Special Management Measures (Negative List) for the Access of Foreign Investment (2021 version)” to further reduce foreign investment restrictions, which took effect on 1 January 2022 (the “**Negative List**”). The Negative List lists industries that prohibit or restrict foreign investment. Foreign investors are not allowed to invest in prohibited industries; for restricted industries, foreign investment must meet certain conditions stipulated in the Negative List. According to the Negative List and Catalogue, the foreign share ratio for entities engaging in value-added telecommunications services (except e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%, and the cyber culture operation industry (except for music) is still prohibited from foreign investment.

On 15 March 2019, the National People’s Congress passed the “Foreign Investment Law of the People’s Republic of China”, which took effect on 1 January 2020 and replaces the main laws and regulations governing China’s foreign investment, including the “Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures”, “Law of the People’s Republic of China on Chinese-Foreign Contractual Joint Ventures” and “Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises”. The Foreign Investment Law aims to further expand opening to the outside world, actively promote foreign investment and protect the legitimate rights and interests of foreign investment. According to the Foreign Investment Law, China applies the administrative system of pre-establishment national treatment plus negative

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list to foreign investment. The Negative List will be issued, amended or announced by the State Council from time to time. Management of foreign investment in the areas beyond the Negative List shall be implemented in accordance with the principle of equality between domestic and foreign investment.

On 26 December 2019, the State Council issued “Regulation for Implementing the Foreign Investment Law of the People’s Republic of China”, which came into effect on 1 January 2020. According to the Regulation, if the regulations on foreign investment made before 1 January 2020 are inconsistent with the Foreign Investment Law and the Regulation, the provisions of the Foreign Investment Law and the Implementing Regulations shall prevail. The Regulation also indicate that foreign investors investing in industries on the Negative List that restricts foreign investment shall comply with the special administrative measures in the Negative List relating to equity, senior management and other matters.

On 30 December 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the “the Measures for the Reporting of Foreign Investment Information”, which became effective on 1 January 2020. From 1 January 2020, if a foreign investor conducts investment activities in China directly or indirectly, the foreign investor or foreign-invested enterprise is required to report information to the competent authorities of the Ministry of Commerce in accordance with the Measures.

Enterprises established, operating and managed in the PRC are subject to the Company Law of People’s Republic of China as last amended on 26 October 2018.

### ***II. Regulations on Internet security and privacy protection***

On 28 December 2000, the Standing Committee of the National People’s Congress issued “the Decision on Maintaining Internet Security”, which was amended on 27 August 2009. It provides that whoever commits any of the following acts will be prosecuted for criminal liability: (a) intruding into computer information systems in the fields of State affairs, national defence construction, and advanced science and technology; (b) using the Internet to spread rumours, slander or publish or disseminate other rumours or slander for the purpose of inciting subversion of the state political power; (c) stealing or leaking State secrets, intelligence or military secrets via the Internet; (d) disseminating false or inappropriate commercial information; or (e) infringing on the intellectual property rights of others.

“The Provisions on Technical Measures for the Internet Security Protection” issued by the Ministry of Public Security on 13 December 2005 require all Internet information service providers to take appropriate measures to control computer viruses, back-up data and keep records of certain user information (including user registration information, log-in and log-out times, Internet addresses or domain names, the content of information posted by users and the time of posting) for at least 60 days. Under these measures, value-added telecommunications business licensees are required to regularly update the information security and content control systems of their websites and are required to report any illegal dissemination of content to the local public security authorities.

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According to the “Several Provisions on Regulating the Market Order of Internet Information Services” issued by the Ministry of Industry and Information Technology on 29 December 2011, Internet information service providers are prohibited from collecting users’ personal information or providing it to others without users’ consent.

In addition, “the Decision on Strengthening Information Protection on Networks”, issued by the Standing Committee of the National People’s Congress on 28 December 2012, emphasises the need to protect electronic information that can identify citizens’ personal identity and other privacy. The Decision requires Internet information service providers to formulate and disclose rules for the collection and use of personal electronic information, and to take necessary measures to ensure information security and prevent disclosure, destruction and loss. In addition, “Provisions on Protecting the Personal Information of Telecommunications and Internet Users”, issued by the Ministry of Industry and Information Technology on 16 July 2013 and effective on 1 September 2013, contain specific requirements on the use and collection of personal information, according to which in the course of providing services telecommunications business operators and Internet information service providers collecting and using users’ personal information, shall follow the principles of lawfulness, legitimacy and necessity and shall be responsible for the security of the personal information of users collected and used in the course of providing services.

On 7 November 2016, the Standing Committee of the National People’s Congress issued “the Cybersecurity Law of the People’s Republic of China” (effective on 1 June 2017), which applies to the construction, operation, maintenance and use of networks and the supervision and administration of network security in China. “The Cybersecurity Law of the People’s Republic of China” defines a “network” as the system comprising computers or other information terminals and equipment that collects, stores, transmits, exchanges and processes information under specific rules and procedures. According to “the Cybersecurity Law of the People’s Republic of China”, network operators are generally responsible for safeguarding their networks against interference, damage or unauthorised access, as well as for preventing data leakage, theft or falsification. In addition, network operators are also required to comply with specific rules in accordance with their classification under the multi-tiered network security assurance scheme. Network products and service providers must comply with national standards and ensure the security of their products. Critical network equipment and network security products must be tested by certification and evaluation centers before entering Chinese market. “The Cybersecurity Law of PRC” excludes information that after processing cannot be used to identify a specific individual and cannot be recovered from the test. Internet information service providers must clearly inform users of the manner, content and purpose of collecting and processing personal information of users, and may only collect information necessary for the provision of their services. Internet information service providers are also required to keep users’ personal information securely and, in the event that users’ personal information is or is likely to be disclosed, to take immediate remedial action and to report any material leakage to the telecommunications regulatory authority.

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On 28 May 2019, pursuant to “the Cybersecurity Law of the People’s Republic of China”, the Cyberspace Administration of China issued “the Measures for the Administration of Data Security (Consultation Paper)” which relates to safeguarding the security of important data and personal information. The Data Security Law of the People’s Republic of China was issued on 10 June 2021 and implemented on 1 September 2021, reiterating that organisations and individuals must obtain permission to carry out data processing activities. The Personal Information Protection Law of the People’s Republic of China was issued on 20 August 2021 and implemented on 1 November 2021. This law will further protect the rights and interests of personal information, regulate personal information processing activities, and promote the reasonable use of personal information. To support the implementation of the Data Security Law, on 28 December 2021, the Cyberspace Administration of China (國家互聯網信息辦公室), jointly with other 12 governmental authorities, issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective from 15 February 2022. According to the Review Measures, the internet platform operators possessing personal information of more than one million users who are applying for overseas listing, shall make are subject to cybersecurity review by the Office of Cybersecurity Review.

On 14 November 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) published the draft Administrative Regulations on Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) which provides that, among others, an application for cyber security review shall be made by any entity which is regarded as a “data processing operator” if such entity (i) is an Internet platform operator which is in possession of information related to national safety, economic development and public interests which is undergoing merger, restructuring or separation or otherwise affect or might affect national security; (ii) possesses personal information of more than one million users and is contemplating an overseas listing; (iii) is contemplating a listing in Hong Kong and will or might affect national security; or (iv) undertaking any data processing activities which will or might affect national security.

### *III. Laws and regulations on foreign exchange control*

#### *(i) Foreign exchange control*

According to the “Regulation of the People’s Republic of China on Foreign Exchange Administration”, which was last amended on 5 August 2008, RMB is generally freely convertible for payment of current items, such as foreign exchange transactions and dividend payments related to trade and services, and is not freely convertible for capital items such as capital transfer, direct investment, securities investment, derivative products or loans unless prior approval or registration is obtained from the State Administration of Foreign Exchange.

According to “the Provisions on the Settlement and Sale of and Payment in Foreign Exchange”, which came into effect on 1 July 1996, a foreign-invested enterprise may conduct foreign exchange settlement, sale and payment of foreign exchange in respect of capital projects only after providing valid commercial documents and obtaining approval from the State Administration of Foreign Exchange. Pursuant to the Notice of the State

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Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Huifa [2015] No. 13), which came into effect on 1 June 2015, certain of the aforesaid approval powers of the State Administration of Foreign Exchange were granted to eligible banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (Hui Fa [2015] No. 19), which came into effect on 1 June 2015, and “the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account”, which came into effect on 9 June 2016, foreign-invested enterprises whose main business is to invest are permitted to make equity investments in the PRC using any RMB funds exchanged from their registered capital. At the same time, the exchanged RMB funds may not be used for the following purposes:

- (1) Such receipts and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State;
- (2) Unless otherwise provided, such receipts and funds shall not, directly or indirectly, be used for investment in securities or other investments than banks’ principal-secured products;
- (3) Such receipts and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license; and
- (4) Such receipts and funds shall not be used for construction or purchase of real estate for purpose other than self-use (exception applies for real estate enterprises).

In October 2019, the State Administration of Foreign Exchange issued “the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment”, which (among other things) removes the restriction on domestic equity investment in the capital of non-investment foreign-invested enterprises, allowing non-investment foreign-invested enterprises to make domestic equity investments with capital funds in accordance with the law, provided that they do not violate the existing special administrative measures for access to foreign investment (the Negative List) and that the projects invested in the territory are genuine and legal.

In addition, foreign-invested enterprises may carry out voluntary settlement of foreign exchange capital; the foreign exchange capital in the capital account of foreign-invested enterprises which has been confirmed by the relevant foreign exchange bureaus (or registered by the bank for currency contributions) may be settled in banks according to the actual operational needs of the enterprises. At present, the percentage of

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foreign exchange capital of foreign-invested enterprises willing to settle foreign exchange is 100%. The State Administration of Foreign Exchange may adjust the above ratio according to the prevailing balance of payments situation.

According to Document No. 37, which came into effect on 4 July 2014, a “special purpose company” refers to a foreign enterprise that is directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individuals) for the purpose of investment or financing, with legally held domestic assets or interests, or with legally held foreign assets or interests. Foreign special purpose companies established or controlled by domestic residents for the purpose of making repatriated investments in China are required to register for foreign exchange with the local foreign exchange bureau. In accordance with “the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment”, preliminary foreign exchange registration by domestic residents in respect of the establishment or control of special purpose companies may be made at a designated bank (in lieu of the local foreign exchange bureau).

*(ii) Regulations relating to dividend distribution*

“The Company Law”, “the Foreign Investment Law” and “the Regulation for Implementing the Foreign Investment Law” govern the distribution of dividends by foreign-invested enterprises. According to the above laws and regulations, foreign-invested enterprises in China may only pay dividends from the accumulated profits, if any, calculated in accordance with Chinese accounting standards and regulations. WFOEs are required to allocate at least 10% of their after-tax profits to statutory general reserves until the accumulated amount of such reserves reaches 50% of their registered capital. Such reserves may not be distributed as cash dividends.

#### **IV. Regulations on taxation supervision**

*(i) Corporate income tax*

According to “the Corporate Income Tax Law”, which entered into force on 1 January 2008 and was last amended on 29 December 2018, and “the Implementation Regulations for the Corporate Income Tax Law of the People’s Republic of China”, which entered into force on 1 January 2008 and was last amended on 23 April 2019 (collectively, the “**Corporate Income Tax Law**”), taxpayers include resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises established in China in accordance with Chinese law, or enterprises established in accordance with foreign (regional) law but with their actual management offices in China. Non-resident enterprises are enterprises established under foreign (regional) laws and whose actual management is not located in China, but (i) have established an institution or premise in China, or (ii) have not established an institution or premise in China, but have income derived from China. Under the Corporate Income Tax Law, foreign-owned enterprises in

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China are required to pay corporate income tax at a flat rate of 25%. A non-resident enterprise that has not established an institution or premise in China, or that, although it has established an institution or premise receives income that has no de facto relationship with the institution or premise it has established, shall pay withholding tax at a rate of 10% on its income derived from within China.

“The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management”, issued by the SAT and last amended on 29 December 2017, sets out whether the “actual management body” of an enterprise registered outside China and controlled by a Chinese enterprise or a Chinese group of enterprises comply with the China’s standards and procedures.

According to the Corporate Income Tax Law, high-tech enterprises with independent intellectual property rights and in compliance with rules of the corporate income tax and other relevant laws and regulations will be entitled to a 15% reduction in the enterprise income tax rate. “The Measures for the Administration of the Accreditation of High-Tech Enterprises”, jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the SAT on 14 April 2008 with retroactive effect from 1 January 2008 and amended on 29 January 2016 with retroactive effect from 1 January 2016, set out the detailed criteria and procedures for the administration of the accreditation of high-tech enterprises.

According to Notice of the Ministry of Finance and the SAT on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (No. 13 [2019] of the Ministry of Finance), the annual taxable income of a small low-profit enterprise that is not more than 1 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than 1 million yuan nor more than 3 million yuan shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%. According to the Notice of the Ministry of Finance and the SAT on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Notice 2021 No. 12 of the Ministry of Finance and the SAT), small low-profit enterprises with an annual taxable income of less than RMB1 million have been able to have their corporate income tax halved in addition to the preferential tax policy stipulated in Rule 2 of the Notice of the Ministry of Finance and the SAT on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13).



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(ii) *Value-added tax*

According to “Provisional Regulation of the People’s Republic of China on Value Added Tax”, which came into effect on 1 January 1994 and was last amended on 19 November 2017, and “Implementation Rules for the Provisional Regulations the People’s Republic of China on Value-added Tax”, which were last amended on 28 October 2011 and subsequently implemented on 1 November 2011 all enterprises and individuals, engage in sales of goods, providing processing, repairing and maintenance services, sales of services, intangible assets and immovables and importing goods shall pay the value-added tax.

In accordance with “the Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates”, which came into effect on 1 May 2018, taxpayers incurring VAT taxable sales or importing goods for which the tax rates of 17% and 11% previously applied were adjusted to 16% and 10%, respectively, and is further adjusted to 13% and 9% respectively in accordance with the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Policies Relating to the Deepening of Value-added Tax Reform (Ann. No. 39 of 2019 by the Ministry of Finance, the SAT and the General Administration of Customs) effective and implemented on 1 April 2019.

(iii) *Tax on city maintenance and construction and education surcharge*

According to “the Provisional Regulations on the Collection of Education Surcharges”, which were amended on 8 January 2011, all entities and individuals paying consumption tax, value-added tax and business tax shall pay an education surcharge. The education surcharge, which is based on the actual amount of value-added tax, business tax and consumption tax paid by each entity or individual, is 3% and is payable at the same time as the value-added tax, business tax and consumption tax, respectively. According to the Urban Maintenance and Construction Tax Law of the People’s Republic of China effective and implemented on 1 September 2021, any entity or individual paying consumption tax, value-added tax and business tax shall pay urban maintenance and construction tax. The urban maintenance and construction tax shall be based on the actual amount of consumption tax, value-added tax and business tax paid by the taxpayer, and shall be paid at the same time as the consumption tax, value-added tax and business tax, respectively. If the taxpayer’s location is in an urban area, in a county city or town, or not in an urban area, county city or town, the city maintenance and construction tax rates are 7%, 5% and 1% respectively.

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*(iv) Dividend tax*

Under the “Corporate Income Tax Law”, income from equity investment (e.g. dividends and bonuses) between qualified PRC resident enterprises, i.e. investment income derived from direct investment by a resident enterprise in another resident enterprise, is exempt from tax.

In addition, according to “the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” which came into effect on 8 December 2006, a PRC resident enterprise is required to pay income tax under PRC law when distributing dividends to its Hong Kong shareholders, except that if the beneficiary of the dividends is a Hong Kong resident enterprise which directly holds at least 25% equity interest in the aforementioned enterprise (i.e. the dividend payer), the dividends distributed shall be taxed at the rate of 5%.

According to “the Notice of the SAT on Issues Relating to the Implementation of the Dividend Provisions of Tax Agreements”, which came into effect on 20 February 2009, the preferential tax rate for the treatment under the tax agreement is subject to the following conditions: (i) according to the Tax Agreement the tax resident receiving the dividend shall be limited to the corporation; (ii) the percentage of such Chinese resident’s interest and voting shares directly owned by the tax resident shall each be in accordance with the proportions set forth in the tax agreement; and (iii) such tax resident’s direct ownership of interest in such Chinese resident corporation shall have been in accordance with the proportions set forth in the tax agreement at any time within twelve consecutive months prior to the receipt of the dividend.

“Announcement on Issues Relating to ‘Beneficial Owner’ in Tax Treaties” issued by the SAT on 3 February 2018, which came into effect on 1 April 2018, provides clearer guidance and a comprehensive assessment approach to determine whether a company is a beneficial owner eligible for preferential tax rates on dividends.

In accordance with “the Notice on Widening the Scope of Application of Temporary Waiver for Withholding Income Tax for Overseas Investors Using Distributed Profits for Direct Investments”, which came into effect on 1 January 2018, the profits distributed by a PRC resident enterprise to a foreign investor and invested directly in a prohibited investment project that meets certain conditions are subject to deferred taxation and temporarily exempted from withholding tax.

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### V. *Labour and social security regulation*

According to “the Labour Law of the People’s Republic of China” (amended, effective and implemented on 29 December 2018), companies must conclude labour contracts with their employees based on the principle of fairness and by consensus. The company must establish and improve the labour hygiene system, strictly implement the national rules and standards on labour safety and hygiene, and educate workers on labour safety and hygiene to prevent accidents in the labour process and reduce occupational hazards. In addition, the company must also pay social insurance premiums for its employees.

#### (i) *Labour contracts*

“The Labour Contract Law of the People’s Republic of China” (issued on 29 June 2007, amended on 28 December 2012, and re-entered into force on 1 July 2013) is the main law regulating the labour contract relationship between companies and workers, according to which an employment relationship is established between an employer and a worker from the date of employment. The employer must conclude a written contract of employment with the worker. In addition, the probationary period and the calculation of damages are subject to legal restrictions to ensure the legitimate rights and interests of the worker.

#### (ii) *Social Security and Housing Fund*

According to “the Social Insurance Law of the People’s Republic of China”, which came into force on 1 July 2011 and was last amended on 29 December 2018, “the Provisional Regulations on the Collection and Payment of Social Insurance Premiums”, which came into force on 22 January 1999 and was last amended on 24 March 2019, and “the Decision of the State Council on the Establishment of a Basic Medical Insurance System for Urban Employees”, which came into force on 14 December 1998, “the Decision of the State Council on Establishing a Unified Basic Pension Insurance System for Enterprise Employees”, which came into force on 16 July 1997, “the Regulations on Work-related Injury Insurance”, which were amended on 20 December 2010 and subsequently implemented on 1 January 2011, “the Regulations on Unemployment Insurance”, which came into force on 22 January 1999, “the Trial Measures on Employee Maternity Insurance of Enterprises”, which came into force on 1 January 1995 and “Regulations on the Administration of Housing Provident Fund”, which came into effect on 3 April 1999 and were recently amended on 24 March 2019, the employer shall pay for workers’ basic medical insurance, basic pension insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund. If the employer does not register for social insurance, the social insurance administrative department shall order the employer to make corrections within a specified period of time; if the employer fails to do so, a fine shall be imposed on the employer. If the employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order the employer to pay or make up the full amount within a specified period, and impose a late payment fee; if the employer still fails to pay, the employer shall be fined.

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If the employer does not register for the deposit of the housing fund, the Housing Fund Management Center shall, in accordance with the relevant laws and regulations, order the payment of the deposit within a time limit; if the deposit is still not paid after the deadline, an application may be made to the People’s Court for compulsory enforcement.

Pursuant to “the Reform Plan for the Collection and Administration System of State Taxes and Local Taxes”, which came into effect on 20 July 2018, from 1 January 2019, the social insurance collection and administration agencies will be transferred from the Ministry of Human Resources and Social Security to the SAT. On 18 September 2018, the executive meeting of the State Council announced that the social insurance policy would remain unchanged until the transfer of the social insurance agencies was completed. On 21 September 2018, the Ministry of Human Resources and Social Security of the People’s Republic of China issued the “Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council to Effectively Stabilise the Collection of Social Insurance Premiums”, requiring the policy on the rate and base of social insurance contributions to remain unchanged until the completion of the reform of the transfer of social insurance institutions. On 16 November 2018, the SAT issued “the Notice on the Implementation of Certain Measures to Further Support and Serve the Development of the Private Economy”, which stipulates that social insurance policies remain stable and that the SAT will work with relevant authorities to reduce social insurance contribution rates to ensure that the overall burden of corporate social insurance contributions is reduced.

### **VI. Regulation of Intellectual Property Rights**

#### *(i) Trademarks*

“The Trademark Law of the People’s Republic of China” (issued on 23 August 1982, last amended on 23 April 2019 and re-entered into force on 1 November 2019) and “the Implementation Regulations on the Trademark Law of the People’s Republic of China” (State Council Decree No. 651, entered into force on 15 September 2002, amended on 29 April 2014 and entered into force on 1 May 2014) provide that the exclusive right to register a trademark is limited to the trademark and the goods for which the registration is approved. The validity period of a registered trademark is ten years from the date of approved registration. The use of a trademark identical or similar to a registered trademark on the same goods or on similar goods without the permission of the trademark registrant is an infringement of the exclusive right to use the registered trademark. The infringer shall, in accordance with the relevant provisions, stop the infringement, take corrective measures and compensate for the loss.

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### *(ii) Patent*

“The Patent Law of the People’s Republic of China” (amended on 17 October 2020 and effective and implemented on 1 June 2021) and “the Rules for the Implementation of the Patent Law of the People’s Republic of China” (State Council Decree No. 569, entered into force on 1 July 2001, amended on 9 January 2010 and entered into force on 1 February 2010) stipulate that after the patent right for inventions and utility models is granted, except as otherwise provided in the Patent Law, no entity or individual shall, without the permission of the patentee, enforce the patent, i.e., manufacture, use, promise to sell, sell or import the patented product for production and business purposes, or use the patented method as well as use, promise to sell, sell or import the product directly obtained by the patented method. After the patent right of the design is granted, any unit or individual shall not enforce the patent without the permission of the patentee, that is, shall not manufacture, promise to sell, sell, or import the patented product of the design for the purpose of production and business operation. Where infringement is established, the infringer may be ordered to cease the infringement, take corrective measures and compensate for damages in accordance with the relevant provisions.

### *(iii) Copyright*

According to “the Copyright Law of the People’s Republic of China” (amended on 11 November 2020 and effective and implemented on 1 June 2021) and the Implementation Regulations of the Copyright Law of PRC (issued on 30 January 2013 and effective and implemented on 1 March 2013), Chinese citizens, legal persons or other organisations are entitled to copyright in their works, whether or not these works are published. Works include written works; oral works; musical, dramatic, melodic, choreographic and acrobatic artistic works; works of art and architecture; photographic works; cinematographic works and works created by methods similar to filming; graphic works and models such as engineering designs, product designs, maps and diagrams; computer software; and other works stipulated by laws and administrative regulations.

According to “the Regulations on the Protection of Computer Software” (last amended on 30 January 2013 and effective on 1 March 2013), software copyright arises from the completion of software development. The software copyright of a legal person or other organisation shall be protected for 50 years, i.e. it is protected until 31 December of the 50th year after the first publication of the software, but if the software has not been published for 50 years from the date of completion of development, the Regulations no longer protect it. The software copyright owner may register the software with the software registration agency recognised by the copyright administration department of the State Council. The documentary proof of registration issued by the software registration authority is the preliminary proof of the registration matter. On 20 February 2002, the National Copyright Administration of China issued “the Measures for the Registration of Computer Software Copyright”, and the Copyright Protection Center of China is the software registration authority.

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*(iv) Regulations on Internet domain names*

In accordance with “the Measures for the Administration of Internet Domain Names”, which came into effect on 1 November 2017, and “the Implementing Rules for the Registration of National Top Level Domain Names”, “the Rules for Dispute Resolution of National Top Level Domain Names” and “the Procedural Rules for Dispute Resolution of National Top Level Domain Names”, which came into effect on 18 June 2019, domain name registration is processed through a domain name service agent established in accordance with relevant regulations, and the applicant becomes a domain name holder upon successful registration.

***VII. Laws and regulations relating to advertising***

“The Advertising Law of the People’s Republic of China” was issued by the National People’s Congress on 27 October 1994, and last amended, effective and implemented on 29 April 2021. The Advertising Law regulates the content of advertisements, the regulation of advertising conduct and the supervision and management of the advertising industry, and stipulates that advertisers, advertising agencies and advertising publishers engaging in advertising activities shall comply with laws and regulations, act with honesty and integrity, and engage in fair competition. Advertisers, advertising agencies and advertising publishers shall enter into written contracts among themselves in the conduct of advertising activities pursuant to the law. According to the Advertising Law, advertisers shall be responsible for the veracity of the contents of advertisements, and advertising agencies and advertising publishers shall verify the relevant proof documents pursuant to laws and administrative regulations, and verify advertisement contents. Advertising publishers shall not publish advertisements with inconsistent content or incomplete supporting documents. In addition, for false advertisements of goods or services relating to the life and health of consumers which cause harm to consumers, the advertising agency shall bear joint and several liability with the advertiser. For false advertisements of goods or services other than those stipulated in the preceding paragraph which cause harm to consumers, where the advertising agency is aware or should be aware that the advertisement is false yet still provide design, production, agency or publishing services, or provide recommendation or endorsement, the advertising agency shall be jointly and severally liable with the advertiser and may be punished with fines, including confiscation of advertising revenue, and the Chinese authorities may revoke or cancel its business license.

To regulate Internet-related advertising activities, on 4 July 2016 the State Administration for Industry and Commerce issued “the Interim Measures for Administration of Internet Advertising”, which became effective on 1 September 2016. According to the Measures, when engaging in the Internet advertising activities, Internet advertisers, advertising agencies and advertising publishers shall sign a written contract according to law. Publishing and sending advertisements through the Internet shall not affect users’ normal use of the Internet. For example, Publishing advertisements on the Internet through a pop-up page or in other forms shall provide a prominently marked “CLOSE” button to ensure “one-click closure”. No entity or individual shall use deceptive means to induce users to click on the content of an advertisement. Internet advertising publishers and advertising agencies shall establish and

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improve the management systems regarding registration, review and filing of the Internet advertising businesses, and examine, verify and register the identity information of advertisers. The Measures for Administration of Internet Advertising also stipulate that Internet advertisers shall be responsible for the authenticity of the content of their advertisements, and that Internet advertising publishers and advertising agencies shall examine relevant certificates, verify the contents of advertisements, and shall refuse to design, produce, act as agent for or publish and advertisements if the verification fails or if the certificates are incomplete, failing which they shall be ordered by the administration for market regulation to make correction and may be subject to a fine of not more than RMB50,000.

### *VIII. Laws and Regulations on Lottery Sales*

"The Regulations on the Administration of Lotteries", issued by the State Council on 4 May 2009 and put into effect on 1 July 2009, stipulate that lottery issuers and distributors may enter into contracts on agent sale of lotteries with, and issuing licences to, third party entities and individuals for agent sale of lottery tickets. The Regulations also provide that lottery issuers, lottery sales organisations and lottery agents shall not engage in false or misleading propaganda, engage in unfair competition by slandering their peers, or sell lottery tickets to minors. If a lottery ticket sales agent engages in acts such as entrusting the sale of lottery tickets, the civil affairs department or sports administrative department shall order the correction of such acts and impose a fine of no less than RMB2,000 and no more than RMB10,000; if there is illegal income, the illegal income shall be confiscated. Lottery issuers and lottery sales organisations have the right to cancel contracts on agent sales of lotteries.

As advised by our PRC Legal Advisers, there are currently no specific anti-money laundering laws and regulations targeting the agent sale of lottery tickets. Accordingly, the anti-money laundering risks associated with our lottery sale is very low.

### *IX. Regulations on consumer protection*

Law of the People's Republic of China on the Protection of Consumer Rights and Interests was adopted by National People's Congress on 31 October 1993 and amended for the second time in accordance with the Decision on Amending the Law of the People's Republic of China on the Protection of Consumer Rights and Interests adopted on 25 October 2013. A business operator providing a commodity or service to a consumer shall perform obligations in accordance with the Product Quality Law of the People's Republic of China and other relevant laws and regulations. A business operator shall provide consumers with true information concerning commodities and shall not conduct false advertising. When collecting and using consumer personal information, business operators shall follow the principles of lawfulness, fairness, and necessity, and shall not collect and use information in violation of laws, regulations, and agreements between the parties.

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### *X. Regulations on M&A*

Provisions of the Ministry of Commerce on M&A of a Domestic Enterprise by Foreign Investors was issued by the Ministry of Commerce, State Assets Supervision and Administration Commission of the State Council, SAT, State Administration for Industry and Commerce, China Securities Regulatory Commission and State Administration of Foreign Exchange on 8 August 2006 and revised by the Ministry of Commerce on 22 June 2009. A foreign investor who merges a domestic enterprise to establish a foreign-invested enterprise shall, in accordance with these Provisions, be approved by the examination and approval authority and go through the modification registration or establishment registration with the registration management authority. Competent authorities in charge of commerce, relevant entities, and persons that participate in M&A security reviews shall assume an obligation of confidentiality with regard to state secrets, trade secrets, and other information that should be kept confidential in M&A security reviews.

Guidance on Administration for Foreign Investment Access was issued by the Ministry of Commerce on 18 December 2008. The transfer of equity in an established foreign-invested enterprise to a foreign party, regardless of whether there is an association relationship between the Chinese and foreign parties, and whether the foreign party is an original shareholder or a new investor, does not refer to the merger regulations. The target companies in the merger regulations include only domestic companies.