

REGULATORY OVERVIEW

REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the *Company Law of the PRC* (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會) on 29 December 1993 and came into effect on 1 July 1994, and last amended on 26 October 2018. *The Company Law* of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The *Company Law* of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On 1 January 2020, the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the “*FIL*”) and the *Regulations on the Implementation of the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》) became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China, namely, the *Sino-foreign Equity Joint Venture Enterprise Law of the PRC* (《中華人民共和國中外合資經營企業法》), the *Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC* (《中華人民共和國中外合作經營企業法》) and the *Wholly Foreign-invested Enterprise Law of the PRC* (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations.

According to the *Foreign Investment Law and The Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which was issued by MOFCOM and the State Administration for Market Regulation on 30 December 2019 and became effective on 1 January 2020, the PRC establishes a foreign investment information reporting system. Foreign investors or foreign investment enterprises shall submit investment information to the commerce authorities through the enterprise registration system and enterprise creditworthiness information announcement system. The contents and scope of foreign investment information reporting shall be determined according to the principle that it is really necessary. The foreign investment information that can be obtained through sharing of departmental information shall not be required any more.

According to the *Interim Provisions on the Domestic Investments of Foreign-Owned Enterprises* (《關於外商投資企業境內投資的暫行規定》), which was issued by MOFCOM and State Administration for Industry and Commerce (SAIC), the last revised version of which became effective on 28 October 2015, foreign-owned enterprises may invest in the encouraged, permitted and restricted projects, but shall not invest in the prohibited projects in the PRC.

According to the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018 Edition)* (《外商投資准入特別管理措施(負面清單)》(2018年版)), which was jointly promulgated by the NDRC and the MOFCOM on 28 June 2018 and became effective on 28 July 2018, the construction and operation of gas, heat and water supply and drainage pipeline network for a city with a population of more than 500,000 shall be controlled by PRC entities.

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The *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019 Edition)* (《外商投資准入特別管理措施(負面清單)(2019年版)》), which was jointly promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019, has deleted the provision that the construction and operation of gas and heat supply projects for a city with a population of over 500,000 shall be controlled by a PRC entity, and the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018 Edition)* (《外商投資准入特別管理措施(負面清單)(2018年版)》) shall be abolished simultaneously. From 30 July 2019 onwards, there will be no restriction on the shareholding of foreign entities in the construction and operation of urban gas projects.

The *Special Management Measures for Foreign Investment Access (Negative List) (2020 Edition)* (《外商投資准入特別管理措施(負面清單)(2020版)》) issued by National Development and Reform Commission and the Ministry of Commerce jointly came into force on 23 July 2020. At the same time, the *Special Management Measures for Foreign Investment Access of Pilot Free Trade Zones (Negative List) (2019 Edition)* was repealed. In the 2020 edition of the negative list, there is also no restriction on the control of foreign investors over the construction and operation of urban gas with an urban population of more than 500,000. In addition, *The Catalogue of Industries Encouraging Foreign Investment (2020 Edition)* (《鼓勵外商投資產業目錄》(2020年版)), which was jointly promulgated by the NDRC and the MOFCOM on 27 December 2020 and became effective from 27 January 2021, expressly covers the construction and operation of the regional energy supply industries driven by the use of natural gas in the catalogue.

The *Special Management Measures for Foreign Investment Access (Negative List) (2021 Edition)* (《外商投資准入特別管理措施(負面清單)(2021版)》) issued by National Development and Reform Commission and the Ministry of Commerce jointly came into force on 1 January 2022, in which there is also no restriction on the control of foreign investors over the construction and operation of urban gas with an urban population. And the *Special Management Measures for Foreign Investment Access (Negative List) (2020 Edition)* was repealed at the same time.

REGULATIONS ON GAS OPERATION AND MANAGEMENT

Regulations on Urban Gas Management

The *Regulations on Urban Gas Management* (《城鎮燃氣管理條例》) was promulgated by the State Council of the PRC on 19 November 2010, effective as from 1 March 2011 and amended on 6 February 2016. This regulation shall mainly apply to urban gas development planning and emergency management, gas operation and service, gas usage, gas facilities protection, prevention and handling of gas safety accidents and relevant administrative activities.

Pursuant to the *Regulations on Urban Gas Management*, the PRC implements a licence system for gas operation and prohibits individuals from engaging in PNG operation. Enterprises meeting the requirements of the *Regulations on Urban Gas Management* are granted a gas operation licence by the gas management departments under the local government at or above the county level.

The local governments have developed and enacted applicable local regulations based on the local conditions. On 26 September 2003, the Standing Committee of Shandong Provincial People’s Congress issued the *Regulations on Gas Administration of Shandong Province* (《山東省燃氣管理條例》), which was implemented on 1 November 2003 and amended on 30 March 2016 and 30 March 2022.

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Gas Operation Licence

The *Administrative Measures for Gas Operation Licence* (《燃氣經營許可管理辦法》) was issued by MOHURD on 19 November 2014 and amended on 11 March 2019. According to the *Administrative Measures for Gas Operation Licence*, the enterprises engaged in gas business activities shall obtain a gas operation licence in accordance with the law and operate within the scope stipulated in the licence. An enterprise applying for a gas operation licence shall meet the following conditions: (1) complying with the requirements of gas development planning; (2) having gas sources that meet national standards; (3) having gas facilities that meet national standards; (4) having an established place of business; (5) having a well-established safety management system and a sound management plan; (6) the principal responsible persons, safety production management personnel, and operation, maintenance and repair personnel of the enterprise having been professionally trained and having passed the examination of the gas management department; and (7) any other conditions as stipulated by laws and regulations.

An enterprise applying for a gas operation licence shall submit the following application materials to the licence-issuing department and shall be responsible for the authenticity, legality and validity of such materials: (1) the application for a gas operation licence; (2) the gas quality test report, and the contract entered into with the gas supplier in relation to the supply and use of gas; (3) the applicant’s submissions on its qualification for completion and acceptance of gas facility construction project, professional training and assessment of the principal responsible persons, safety production management personnel, and operation, maintenance and repair personnel, property ownership or leases for its places of business (including office space, operation and service sites), business registration and capital structure; (4) materials in relation to its well-established safety management system and sound management plan; and (5) other materials as required by laws and regulations.

The licence-issuing department will consider the application through a review of the application materials and on-site inspection. The licence-issuing department shall make a decision on whether to grant the licence within 12 working days from the date of accepting the application. If a decision cannot be made within 12 working days, the period may be extended for 10 working days with the approval of the person in charge of the licence-issuing department, and the applicant shall be informed of the reasons for the extension.

According to the *Notice on the Issuance of the Format of Gas Operation Licence* (《關於印發〈燃氣經營許可證〉格式的通知》) issued by the MOHURD on 27 October 2011 and the *Supplement Notice on the relevant matters of the Format of Gas Operation Licence* (《關於燃氣經營許可證格式有關事項的補充通知》) issued by the MOHURD on 31 October 2016, a gas operation licence is a legal certificate for operators engaged in gas operating activities, the original of which should specify the registered name and address of the enterprise, the name of the legal representative, category of business activities (pipeline gas, bottled gas, vehicular fuel refuelling station and other categories) operating area, serial number, issuing authority, issuing date, validity period, etc. The validity period of a gas operation licence shall be determined by the provincial gas management department.

According to the *Regulations on Gas Administration of Shandong Province*, a gas operation licence shall be obtained for gas operation business and should be renewed annually.

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Concession

On 19 March 2004, the MOHURD promulgated the *Measures for the Administration on the Concession of Municipal Public Utilities* (《市政公用事業特許經營管理辦法》) (“*Concession Measures*”), which became effective on 1 May 2004 and was amended on 4 May 2015.

Pursuant to the *Concession Measures*, the concession projects shall be determined by the provinces, autonomous regions, and municipalities through legal forms and procedures. The competent construction department of the State Council and the competent construction departments of the regional governments at province and autonomous region level shall be responsible for guiding and supervising the concession activities of municipal public utilities within the areas under their respective administration. The competent departments of municipal public utilities of the governments at municipality level directly under the PRC Government, cities, and counties shall, upon the authorisation of the PRC government, be responsible for the specific implementation of the granting of concessions for municipal public utilities within their own administrative regions. The competent departments shall choose investors or managers by hosting the requisite bidding process. Under the authorisation of the people’s governments of municipality, city or county level, the housing and urban-rural development bureau (or other relevant competent department responsible for municipal public utilities) of municipality, city or county level shall enter into concession agreements with the bid-winner (grantees) for the granting of concession rights. The *Concession Measures* shall be applicable to the implementation of concessions for water supply, gas supply, heating, public transport, sewage treatment, waste disposal and relevant industries. The term of concession shall be determined according to factors such as the characteristics, scale, and mode of operation of the industry, and the maximum term shall not exceed 30 years.

According to the *Measures for the Administration of Concession for Infrastructure and Public Utilities* (《基礎設施和公用事業特許經營管理辦法》) jointly issued by the NDRC, the Ministry of Finance, the MOHURD, the Ministry of Transport, the Ministry of Water Resources and the People’s Bank of China on 25 April 2015 and effective on 1 June 2015, concession for infrastructure and public utilities means the government’s authorisation of a legal person or any other onshore or offshore organisation according to the law, by competitive mode, to engage in investment, construction, and operation of infrastructure and public utilities within a certain time limit and scope and make profits as stipulated in an agreement that specifies the rights, obligations, and risks allocation, to provide public commodities or public services. The people’s governments at or above county level shall authorise the relevant departments or units as the implementing agencies to take charge of the implementation of concession activities, and shall specify the specific scope of authorisation. According to the Article 15 of the *Measures for the Administration of Concession for Infrastructure and Public Utilities* (《基礎設施和公用事業特許經營管理辦法》), the implementing agencies shall select the concession operators through competitive methods such as bidding and competitive negotiation according to the approved implementation plan for concession projects. If the construction and operation standards and regulatory requirements for concession projects are clear and the market competition in the relevant fields is sufficient, the concession operators shall be selected through bidding. The implementing agencies shall enter into concession agreements with the grantees legally selected. The term of concession for infrastructure and public utilities shall be determined in light of the industry characteristics, the public commodities provided or public service requirements, the project life cycle, the investment payback period, and other relevant factors and shall not exceed 30 years. For a concession project of infrastructure and public utilities with large investment scale and

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long payback period, the government or its authorised department may, in light of the factual circumstances of the project, agree on a term of concession exceeding the term set out above with the concession grantee. After the expiration of the term, the government or its authorised department should adopt competitive modes such as public biddings to re-select the concession grantee. Under the same conditions, preferential rights to renew relevant concession rights shall be given to the former concession grantees. If the content of the concession agreement needs to be changed during the term of the concession agreement, the parties to the agreement shall enter into a supplemental agreement based on mutual agreement.

Gas supply

Pursuant to the *Advice on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Adjustment Auxiliary Services* (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》) promulgated by the NDRC and the National Energy Administration on 26 April 2018, urban gas enterprises shall establish natural gas reserves and shall have a gas storage capacity of no less than 5% of their annual gas consumption end of 2020 by means of self-construction, joint construction, lease, purchase of gas storage facilities or purchase of gas storage services. According to the *Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity* (《關於加快推進天然氣儲備能力建設的實施意見》) issued jointly by the NDRC and the Ministry of Finance, the Ministry of Natural Resources, the MOHURD and the National Energy Administration on 10 April 2020, among others, the missions of city gas operators to fulfil gas storage requirement shall be included in the provincial special planning, and the gas storage facilities for city gas supply shall be constructed in a centralised manner; avoid small-scale and scattered construction of storage facilities, and eliminate any hidden safety hazard from the source; city gas operators may lease the storage capacities in proportion from the supporting gas storage facilities jointly constructed and shared by city clusters, where the rental cost shall be reasonably reflected in the end-user price.

According to the *Regulations on Urban Gas Management*, gas operators shall supply gas users with continuous, stable and safe gas under the national quality standards, guide gas users to safely use gas and save gas, and regularly conduct safety checks on gas facilities. The gas operator shall not commit any of the following: stopping the supply of gas and adjusting the gas supply without going through the necessary notification process, or suspending or closing its business without approval.

REGULATION ON PRICING MECHANISM RELATED TO NATURAL GAS

On 29 December 1997, the Standing Committee of NPC promulgated the *PRC Pricing Law* (《中華人民共和國價格法》) (*the “Pricing Law”*), which became effective on 1 May 1998. The PRC Government has implemented and gradually improved the mechanism that prices are mainly formed by the market under macroeconomic control according to the *Pricing Law*. The prices of most of the goods and services are subject to market regulation, and the prices of a small number of goods and services are subject to government-determined or guided prices. Market regulated prices refer to the prices independently determined by the operators and formed through market competition. Government guided prices refer to the prices set by the business operators under the guidance of governmental pricing authorities or other relevant departments in accordance with the benchmark prices and their floating ranges as stipulated in their pricing authority and scope. The government-determined prices refer to the prices set by the governmental pricing authorities or other

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relevant departments directly in accordance with their pricing authority and scope. The government may, when necessary, adopt government- determined or government-guided prices for the following prices: (1) prices of a few commodity that are of great importance to the development of the national economy and the people’s livelihood;(2) prices of a few commodities with scarce resources; (3) prices of commodities operated in a natural monopoly; (4) prices of important public utilities; and (5) prices for important public welfare services.

Pursuant to the *Pricing Law*, the competent department of pricing and other relevant departments under the State Council shall determine the government-guided prices and government-determined prices in pursuance of the pricing authority and the specific applicable scope provided for in the central pricing catalog, under which the government-guided prices and government-determined prices for essential commodities and services shall be submitted to the State Council for approval in accordance with the relevant provisions.

The pricing bureau and other departments concerned in the regional governments at autonomous regions and municipalities level directly under the PRC Government shall determine the government-guided prices and government-determined prices for implementation in their respective areas in pursuance of the pricing authority and specific applicable scope provided for in the local pricing catalogs.

The municipal and county level governments may, in accordance with the authorisation of governments of the provinces, autonomous regions and municipalities directly under the PRC Government and in pursuance of the pricing authority and specific applicable scope provided for in the local pricing catalogs, determine the government-guided prices and government-determined prices for implementation in their respective areas.

According to the *Central Government Price Catalogue* (《中央定價目錄》) issued by the National Development and Reform Commission on 13 March 2020 and effective on 1 May 2020, the benchmark gate prices for offshore gas, shale gas, coalbed methane, coal gas, liquefied natural gas, gas directly supplied to users, gas purchased for and sold to gas storage facilities, gas traded on open trading platforms, pipeline natural gas imported through facilities put into production after 2015, and the natural gas in provinces with competitive conditions shall be formed by the market; the benchmark gate prices for other domestic onshore pipeline natural gas and the pipeline natural gas imported through facilities put into production before the end of 2014 shall be temporarily managed in accordance with the current price mechanism, and shall be liberalised and formed by the market appropriately, subject to the reform process of natural gas market.

According to the *Pricing Catalogue of Shandong Province (2018 Edition)* (《山東省定價目錄》(2018版)) issued by the Pricing Bureau of Shandong Province on 26 May 2018 and effective on 1 June 2018, the pricing regimes set by the government shall include the distribution prices and selling price of PNG in urban areas. According to the *Pricing Catalogue of Shandong Province (2020 Edition)* (《山東省定價目錄》(2020版)) issued by the Pricing Bureau of Shandong Province on 22 December, 2020 and effective on 1 February 2021, the pricing regimes set by the government shall include the distribution prices and selling price of PNG in urban areas.

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Benchmark gate price of natural gas

According to the *Notice on Adjusting the Prices of Natural Gas (Fa Gai Jia Ge [2013] No. 1246)** (《關於調整天然氣價格的通知》(發改價格[2013]1246號)) issued by the NDRC on 28 June 2013, the prices of natural gas shall be managed by the gate price (門站價格) instead of the ex-factory price (出廠價). The gate price (門站價格) shall be the maximum guidance price determined by the government, and the suppliers and the purchasers may negotiate the specific prices within the range below such maximum price. The gate price (門站價格) is the price for the suppliers of domestically produced onshore PNG or imported PNG and the downstream purchasers (including the provincial PNG operation companies, urban PNG operation companies and direct users) at the time of transfer of the natural gas ownership.

According to the *Notice on Lowering the Benchmark Gate Prices of Natural Gas for Non-residential Usage and Further Accelerating the Market-oriented Price Reform* (《關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》) promulgated by the NDRC on 18 November 2015, the prices of natural gas for non-residential usage shall be managed by the benchmark gate price (基準門站價格) instead of the maximum gate price (最高門站價格). The suppliers and the purchasers may negotiate to determine the specific purchase prices based on the benchmark gate price and within the range up to 20% above the benchmark gate price. The purchase price was allowed to be adjusted upward after 20 November 2016. The purchase price of natural gas for residential usage in new cities with gas supply after the implementation of the natural gas pricing reform plan in July 2013 shall not be higher than the benchmark gate price of the natural gas for non-residential usage locally. The benchmark gate prices of the natural gas for non-residential usage in Shandong province was RMB1,980 per 1,000 m³. The notice has become effective from 20 November 2015.

According to the *Notice on Lowering the Benchmark Gate Prices of Natural Gas for Non-residential Usage (Fa Gai Jia Ge Gui [2017] No. 1582)* (《關於降低非居民用天然氣基準門站價格的通知》(發改價格規[2017]1582號)) promulgated by the NDRC on 29 August 2017, the benchmark gate price of natural gas for non-residential usage was lowered by RMB100 per 1,000 m³. The adjusted benchmark gate prices of natural gas for non-residential usage in Shandong province became RMB1,880 per 1,000 m³. The notice was implemented from 1 September 2017.

According to the *Notice on Straightening the Gate Price of Natural Gas for Residential Usage (Fa Gai Jia Ge Gui [2018] No. 794)* (《國家發展改革委關於理順居民用氣門站價格的通知》(發改價格規[2018]794號)) issued by the NDRC on 25 May 2018, the prices of natural gas for residential usage shall be managed by the benchmark gate price (基準門站價格) instead of the maximum gate price (最高門站價格), where the price level will be determined in accordance with the benchmark gate price of natural gas for non-residential usage (with a VAT of 10%). In order to link up the pricing mechanism between the residential usage and non-residential usage of natural gas, the PNG purchase price for both residential and non-residential usage is to be determined based on the benchmark gate price, and restricted to 120% of the benchmark gate price. The suppliers and the purchasers may negotiate to determine the specific purchase price based on the benchmark gate price and within the range up to 20% above the benchmark gate price. According to this notice, the benchmark gate prices of natural gas in Shandong province became RMB1,860 per 1,000 m³. The aforesaid policies became effective on 10 June 2018.

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According to the *Notice on Adjusting the Benchmark Gate Price of Natural Gas for Residential Usage* (*Fa Gai Jia Ge Gui* [2019] No. 562) (《國家發展改革委關於調整天然氣基準門站價格的通知》(發改價格規[2019]562號)) issued by the NDRC on 27 March 2019, with effect from 1 April 2019, the benchmark gate prices of natural gas in Shandong province was adjusted to RMB1,840 per 1,000 m³.

In accordance with the *Central Pricing Catalog* (《中央定價目錄》) effective from 1 May 2020, the prices of the gas stations for the offshore gas, shale gas, coal-bed gas, coal-to-gas, liquefied natural gas, gas for direct supply to users, gas for purchase and sales by gas storage facilities, gas for open trading on trading platforms, imported pipeline natural gas that has been put into operation after 2015 and the natural gas from provinces with competitive conditions shall be determined by the market. Prices of the gas stations for other domestic onshore pipeline natural gas and the imported pipeline natural gas put into operation by the end of 2014 shall be managed according to the current price mechanism, and the price determination power will be released to the market in due course according to the market-oriented reform process of natural gas.

End-user price of natural gas

On 10 December 2018, the NDRC promulgated the *Measures for the Hearing of Governments’ Pricing* (《政府制定價格聽證辦法》), which became effective on 10 January 2019. According to the Measures, the pricing of public utilities, public welfare services, commodities and services under natural monopoly and other government-guided pricing or governments’ pricing that concern the vital interests of the people shall be subject to pricing hearing.

1. Selling Price of Natural Gas for Residential Usage and Public Service Usage

According to the *Guiding Opinion on Establishing a Sound System for Tiered Pricing of Gas for Residential Usage* (《關於建立健全居民生活用氣階梯價格制度的指導意見》) promulgated and implemented by the NDRC on 20 March 2014, a tiered gas pricing system shall be implemented for gas for residential usage. According to the opinion, regarding the determination of tiers of gas usage, gas usage by residential users is divided into three tiers, of which tier one gas usage is determined based on average monthly usage by 80% of residential users in the relevant area, to ensure that the basic residential usage requirements of gas are met; tier two gas usage is determined based on average monthly usage by 95% of residential users in the relevant area, to improve the quality of life for residents in their requirements for the reasonable use of gas; and tier three gas usage is the portion exceeding the gas usage for tier two. Regarding the arrangement of price levels for gas, progressive price increases with respect to excessive amount will be implemented for each tier of gas usage, of which:

- tier one gas pricing will be determined according to the principle of providing basic compensation for the cost of supplying gas and will be maintained relatively stable for a certain period of time;
- tier two gas pricing will be determined according to the principle of providing reasonable compensation for the cost of supplying gas and obtaining reasonable profits, and this price level in principle will be approximately 1.2 times higher than tier one price; and

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- tier three gas pricing will be determined based on the principle of fully reflecting the degree of the shortage of natural gas, to control excessive consumption, and this price levels in principle will be approximately 1.5 times higher than tier one price.

According to the *Notice on Adjusting the Prices for Natural Gas* (《關於調整天然氣價格的通知》) issued by the Price Bureau of Gaomi City on 19 September 2007, the Natural Gas for residential life usage is to be sold at a price of RMB 2.5/m³ from 1 October 2007.

According to the *Notice on Establishing System for Tiered Pricing of Gas for Residential Usage* (《關於建立居民生活用氣階梯價格制度的通知》) issued by the Price Bureau of Gaomi City on 12 January 2016, and was effective from 18 January 2016, (i) if the total gas consumption per household (based on four persons per household) is within 30 m³ (inclusive) per month, the tier one end-user residential gas selling price shall be implemented, that is RMB2.5/m³; (ii) if the total gas consumption per household is more than 30 m³ per month (exclusive) and within 80 m³ per month (inclusive), the tier two end-user residential gas selling price shall be determined according to 1.2 times of tier one price, that is RMB3/m³; and (iii) if the total gas consumption is more than 80 m³ per month (exclusive), the tier three end-user residential gas selling price shall be determined according to 1.5 times of tier one price, that is RMB3.75/m³.

According to the *Notice on Setting the Distribution Prices of PNG and Adjusting the Selling Prices for Gas for Residential Usage* (《關於制定高密市管道天然氣配氣價格和調整居民用氣銷售價格的通知》) issued by the Development and Reform Bureau of Gaomi City on 30 July 2019, the PNG for end-user residential usage is to be sold at a price of RMB 2.83/m³. For schools, retirement homes or welfare organisations and other non-residential users, the gas price is RMB 3.11/m³ pursuant to the average price of natural gas for residential usage of the tier one and tier two; for the rural and urban households in extreme poverty and households of workers in extreme poverty, the gas price shall remain RMB2.5/m³. For wall-hung gas boiler users which accounts were opened by gas companies, (i) if the total annual gas consumption is within 1,000 m³ (inclusive), the tier one end-user residential gas selling price shall be implemented, that is RMB2.83/m³; (ii) if the total annual gas consumption is more than 1,000 m³ (exclusive) and within 1,200 m³ (inclusive), the tier two end-user residential gas selling price shall be determined according to 1.2 times of tier one price, that is RMB3.40/m³; and (iii) if the total annual gas consumption is more than 1,200 m³ (exclusive), the tier three end-user residential gas selling price shall be determined according to 1.5 times of tier one price, that is RMB4.24/m³.

According to the *Measures for Upstream and Downstream Linkage of the Price of Natural Gas for Residential Usage in Weifang Municipality (Trial)* (《濰坊市居民用管道天然氣價格上下游聯動辦法(試行)》) issued by the Development and Reform Commission of Weifang on 30 July 2019, effective from 1 August 2019 to 31 July 2021, and the *Measures for Upstream and Downstream Linkage of the Price of Natural Gas for Residential Usage in Weifang Municipality* (《濰坊市居民用管道天然氣價格上下游聯動辦法》) issued by the Development and Reform Commission of Weifang on 21 June 2021, effective from 1 August 2021 to 31 July 2024, the price linkage is applicable to the urban gate price (城市門站價格) of natural gas and the selling price of natural gas for residential usage. When the natural gas benchmark gate price adjustment reaches or exceeds the prescribed range, the selling price of PNG for residential usage can be adjusted accordingly by the local pricing bureau. The linkage adjustment period is not less than one year in principle.

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2. Selling Price of Natural Gas for Non-residential Usage (Excluding Public Service Usage)

According to the *Notice on Adjusting the Benchmark Selling Prices of Natural Gas for Non-residential Usage (Gao Jia Zi [2017] No. 10)* (《關於調整非居民用天然氣基準銷售價格的通知》(高價字[2017]10號)) promulgated by the Price Bureau of Gaomi on 15 September 2017, from 30 September 2017, the selling price of natural gas for non-residential usage was adjusted from RMB 3.32/m³ to RMB 3.02/m³. The suppliers and the purchasers may negotiate to determine the specific selling prices based on the benchmark selling price and within the range up to 10% above the benchmark selling price, and when the upstream gas suppliers adjust the peak-shaving in winter or when the benchmark gate price of natural gas is adjusted upwards, specific selling price can be increased at the same time.

According to the *Official Reply on the Linkage Adjustment of the Prices of Natural Gas for Non-residential Usage in the Heating Season of 2018-2019* (《關於2018-2019供暖季非居民用氣價格聯動調整的回復》) issued by the Price Bureau of Gaomi on 7 November 2018, the linkage price of natural gas for non-residential usage in the heating season was adjusted to RMB 3.78/m³ (the maximum price). The linkage circle was from 1 November 2018 to 31 March 2019.

According to the *Official Reply on the Linkage Adjustment of the Prices of Natural Gas for Non-residential Usage in the Heating Season of 2019-2020 (Gao Fa Gai Jia Ge [2019] No. 74)* (《關於2019-2020年供暖季非居民用氣價格聯動調整的批復》(高發改價格[2019]74號)) issued by the Development and Reform Bureau of Gaomi on 4 November 2019, the linkage price of natural gas for non-residential usage in the heating season was adjusted to RMB 3.83/m³ (the maximum price). The linkage circle was from 1 November 2019 to 31 March 2020.

According to the *Notice on Adjusting the Benchmark Prices of Natural Gas for Non-residential Usage in Gaomi City (Gao Fa Gai Jia Ge [2020] No. 3)* (《關於調整高密市非居民用天然氣基準價格的通知》(高發改價格[2020]3號)) promulgated by the Development and Reform Bureau of Gaomi on 9 January 2020, the benchmark selling price of natural gas for non-residential usage was adjusted from RMB 3.02/m³ to RMB 3/m³. The highest price in the heating season of 2019 was adjusted from RMB 3.83/m³ to RMB 3.81/m³. The adjusted price was implemented from 1 January 2020.

According to the *Notice on Lowering the Selling Prices of Natural Gas for Non-residential Usage and Supporting the Resumption of Operation and Production of Enterprises (Gao Fa Gai Jia Ge [2020] No. 16)* (《關於降低我市非居民用天然氣銷售價格支持企業復工復產的通知》(高發改價格[2020]16號)) and the *Notice on Continuing Implementing Periodically Lowering the Selling Prices of Natural Gas for Non-residential Usage and Supporting the Resumption of Operation and Production of Enterprises* (《關於繼續執行階段性降低我市非居民用天然氣銷售價格支持企業復工復產的通知》) promulgated by the Development and Reform Bureau of Gaomi on 13 March 2020, 29 June 2020 respectively, the selling price of natural gas for non-residential usage was adjusted to RMB 3/m³. The adjusted price was implemented from 22 February 2020 and shall be valid until 31 October 2020.

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According to the *Measures for Upstream and Downstream Linkage of the Price of Natural Gas for Non-residential Usage in Weifang Municipality* (《潍坊市非居民用管道天然氣價格上下游聯動辦法》) issued by the Development and Reform Commission of Weifang on 1 September 2020, the price linkage is applicable to the gate price of natural gas and the selling price of natural gas for non-residential usage. When the natural gas benchmark gate price adjustment reaches or exceeds the prescribed range, the selling price of PNG for non-residential usage can be adjusted accordingly by the local pricing bureau. In principle, the linkage adjustment period is three months.

According to the *Official Reply on the Linkage Adjustment of the Prices of Natural Gas for Non-residential Usage in the Heating Season of 2020-2021* (*Gao Fa Gai Jia Ge [2020] No. 82*) (《關於2020-2021年供暖季非居民用氣價格聯動調整的批復》(高發改價格[2020]82號)) issued by the Development and Reform Bureau of Gaomi on 21 December 2020, the linkage price of natural gas for non-residential usage in the heating season was adjusted to RMB 3.44/m³ (the maximum price). The linkage circle was from 1 November 2020 to 31 March 2021.

The Development and Reform Commission of Gaomi issued the *Notice on Adjusting the 2021 Selling Price of Natural Gas for Non-Residential Usage in Non-heating Season in Gaomi City* (《關於調整高密市2021年非供暖季非居民用天然氣銷售價格的通知》) on 15 June 2021, and has decided that the selling price of PNG for non-residential usage shall be adjusted to RMB3/m³ from 1 April 2021 to 31 October 2021 pursuant to the pricing fluctuation of gate price (門站價格) of upstream natural gas station.

According to the *Notice on Adjusting the Selling Prices of PNG for Non-residential Usage in Gaomi City* (*Gao Fa Gai Jia Ge [2021] No. 51*) (《關於調整高密市非居民用管道天然氣銷售價格的通知》(高發改價格[2021]51號)) issued by the Development and Reform Bureau of Gaomi on 29 September 2021, the selling price of PNG for non-residential usage in Gaomi City has adjusted to RMB3.25/m³ from 1 July 2021 to 31 October 2021.

The Development and Reform Commission of Gaomi issued the *Notice on Adjusting the 2021-2022 Selling Price of PNG for Non-residential Usage in Heating Season in Gaomi City* (《關於調整高密市2021-2022年供暖季非居民用管道天然氣銷售價格的通知》) on 20 December 2021, and the selling price of PNG for non-residential usage has adjusted to RMB4.36/m³ from 1 November 2021 to 31 March 2022. On 14 April 2022, the Development and Reform Commission of Gaomi issued the *Notice on Postponing the Implementation of Non-resident Natural Gas Sales Prices* (《關於延期執行非居民天然氣銷售價格的通知》), the selling price of PNG for non-residential usage will continue executing RMB4.36/m³ from 1 April 2022 till the selling price is redetermined.

According to the *Notice on Adjusting the 2022 Selling Price of PNG for Non-Residential Usage in Gaomi City* (《關於調整高密市2022年非居民用管道天然氣銷售價格的通知》) issued by the Development and Reform Bureau of Gaomi on 4 July 2022, the selling price of PNG for non-residential usage shall be adjusted to RMB4.06/m³ from 1 April 2022 pursuant to the pricing fluctuation of gate price (門站價格) of upstream natural gas station.

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REGULATION ON INSTALLATION FEES FOR CONNECTION AND INSTALLATION PROJECTS

According to the *Notice on Further Clarifying and Regulating Fees for the Operational Service with Prices Determined by the Government* (《關於進一步清理規範政府定價經營服務性收費的通告》) issued by the NDRC on 5 May 2019, (i) the scope of operational service prices which may be determined by the local governments includes the connection and installation fees for residential user projects; (ii) the items subject to government pricing in each region shall not exceed such prescribed scope, and may be reduced according to the actual situation; (iii) the relevant government pricing catalogue shall be amended in accordance with such reduction; and (iv) competitive market pricing is encouraged if conditions allow.

Residential user projects

According to the *Pricing Catalogue of Shandong Province (2018 Edition)* (《山東省定價目錄》(2018版)), which was promulgated on 16 May 2018 and became effective on 1 June 2018, the fee chargeable by operators of residential gas supply and other public utilities with industrial or technological monopoly shall be pre-determined by municipal and county level government. However, the *Notice of Weifang Development and Reform Commission on Announcement of the Catalogue of Government Pricing or Government Guiding Price Operation Service Charges (2018 Edition)* (《濰坊市發展和改革委員會關於公佈政府定價或政府指導價經營服務性收費目錄(2018版)的通知》) and the *Catalogue of Government Pricing Operation Service Charges of Gaomi City (2019 Edition)* (《高密市政府定價經營服務性收費目錄清單(2019版)》) do not further stipulate fee standards at local level.

On the basis that the items with market adjusted prices would be automatically deleted from catalogue, the *Pricing Catalogue of Shandong Province (2020 Edition)* (《山東省定價目錄》(2020版)), which was promulgated on 22 December 2020 and became effective on 1 February 2021, has deleted the provision mentioned above in the *Pricing Catalogue of Shandong Province (2018 Edition)*.

Non-residential user projects

The connection and installation fees for non-residential user projects are not included in the scope stipulated in the *Notice on Further Clarifying and Regulating Fees for the Operational Service with Prices Determined by the Government*, and therefore they are not subject to government pricing.

Guidance on Installation Fees for Connection and Installation Projects

On 27 June 2019, the NDRC, the Ministry of Housing and Urban-rural Development and the State Administration for Market Regulation jointly issued the *Installation Fees Guidance* (《關於規範城鎮燃氣工程安裝收費的指導意見》) to the relevant government authorities of all provinces, autonomous regions and municipalities. The installation and construction companies shall charge a fee based on the principles of fairness and lawfulness with good faith in the regions where the installation fee for natural gas installation services is currently determined by the market.

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REGULATIONS ON PRODUCTION SAFETY, ENVIRONMENT PROTECTION AND FIRE CONTROL

Production Safety Law

The principal law on work safety is the *PRC Production Safety Law* (《中華人民共和國安全生產法》) (the “*Production Safety Law*”), which was promulgated by the Standing Committee of the NPC on 29 June 2002, and subsequently was amended on 31 August 2014 and became effective on 1 December 2014, and was amended on 10 June 2021, and became effective on 1 September 2021. Pursuant to the *Production Safety Law*, the production and operation entity shall satisfy the conditions for safe production stipulated in the *Production Safety Law* and the other relevant laws, administrative regulations and national standards or industry standards. If it does not satisfy the conditions for safe production, it shall not engage in production and operation activities.

Special Equipment Safety Law

On 29 June 2013, the Standing Committee of the NPC promulgated *Special Equipment Safety Law of the PRC* (《中華人民共和國特種設備安全法》) (the “*Special Equipment Safety Law*”), which became effective on 1 January 2014. The special equipment defined in the *Special Equipment Safety Law* refers to boilers, pressure vessels (including gas cylinders), pressure pipes which pose great risk to personal and property safety, as well as other special equipment as stipulated in the *Special Equipment Safety Law* or other laws and administrative regulations.

A special equipment user which fails to undergo the required registration formalities or fails to make a declaration in a timely manner or conduct acceptance inspection according to the requirements of safety technical specifications shall be ordered to make correction within a certain period; and if it fails to do so, it may be ordered to desist from using the relevant special equipment and be fined an amount not less than RMB10,000 but not more than RMB100,000.

Safety Supervision of Special Equipment

Regulations on the *Safety Supervision of Special Equipment* (《特種設備安全監察條例》) was promulgated by the State Council on 11 March 2003, and was amended on 24 January 2009, and became effective on 1 May 2009. Pursuant to the *Regulations on the Safety Supervision of Special Equipment*, the entities manufacturing, installing and reforming boilers, pressure vessels, elevators, cranes, passenger cableways, large entertainment facilities, as well as the safety attachments and safety protection settings thereof, the entities manufacturing the pipes, pipe fittings, valves, flanges, compensators and safety protection settings used in pressure pipelines (hereinafter referred to as pressure pipeline components), and the entities manufacturing and modifying special in-plant (in-factory) motor vehicles may undertake the relevant activities only after they are licensed by the department of special equipment safety supervision and administration under the State Council. The mobile pressure vessel and gas cylinder filling unit shall be approved by the special equipment safety supervision and management department of the province, autonomous region or municipality directly under the PRC Government before engaging in filling activities.

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Provisions on the Safety Supervision over Gas Cylinders

The *Provisions on the Safety Supervision over Gas Cylinders* (《氣瓶安全監察規定》) was issued by the General Administration of Quality Supervision, Inspection and Quarantine (which had subsequently been removed) on 24 April 2003, took effect on 1 June 2003, and was amended on 25 August 2015, and was ineffective on 13 July 2020.

Pursuant to the *Provisions on the Safety Supervision over Gas Cylinders*, the entities filling gas cylinders shall be governed by safety supervision and inspection authority at provincial level. Qualifying entities will be granted the licence for filling gas cylinders by the quality supervision authority at provincial level. Entities which have not obtained the relevant licence shall not engage in filling gas cylinders.

The effective term of the licence is four years. Prior to the expiration of the licence, the entities shall apply to the original approval authority for the renewal of the licence. Entities who do not make application according to provisions or are not allowed to renew their licences and shall not continue to engage in filling gas cylinders upon expiration of the licence.

Environment Protection

The *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) (the “*Environmental Protection Law*”) was promulgated by the Standing Committee of the NPC on 26 December 1989 and last amended on 4 November 2017. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureau are in turn responsible for the environmental protection work within their respective jurisdictions.

The *Environmental Impact Appraisal Law of the PRC* (《中華人民共和國環境影響評價法》) (the “*Environmental Impact Appraisal Law*”), which was promulgated by the Standing Committee of the NPC on 28 October 2002, and amended on 2 July 2016 and 29 December 2018, requires that the construction entities shall prepare report on environmental impacts, the report form of environmental impacts or the registration form of environmental impacts according to the seriousness of environmental impacts of the relevant construction projects. According to the *Administration Rules on Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, the project owner shall, after the completion of the construction project for which the environmental impact report or environmental impact report form is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance inspection of the constructed environmental protection facilities and prepare the acceptance inspection report.

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Fire control

Pursuant to *Fire Control Law of the PRC* (《中華人民共和國消防法》) (the “*Fire Control Law*”) which was promulgated on 29 April 1998, amended on 28 October 2008 and 23 April 2019 and 29 April 2021, where a construction project which is required by law to carry out fire control acceptance inspection fails to undergo or pass fire control acceptance inspection, the project shall be prohibited from commencing operation. Other construction projects which are found to be unqualified by random inspection conducted pursuant to the *Fire Control Law* shall cease to operate.

REGULATION ON TAXATION

Enterprise income tax

According to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) which issued on 16 March 2007 and amended on 24 February 2017 and 29 December 2018, and the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》) which issued on 6 December 2007 and came into effect on 1 January 2008, and amended on 23 April 2019, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises shall pay enterprise income tax on their incomes generated in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC shall pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no establishment in the PRC, and non-resident enterprises whose incomes having no substantial connection with their establishments in the PRC, shall pay enterprise income tax on their incomes generated in the PRC at a reduced rate of 10%.

Value-added tax

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and took effect on 1 January 1994, and was amended on 10 November 2008, 6 February 2016 and 19 November 2017, respectively, and the *Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC* (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on 25 December 1993 and was amended on 15 December 2008 and 28 October 2011 respectively, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

Income tax on dividend distribution

The PRC Government and Hong Kong Government entered into the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on 21 August 2006, which was implemented on 1 January 2007. According to this arrangement, if a Hong Kong tax-paying resident directly holds no

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less than 25% equity interest in a PRC company, he shall pay a withholding tax of 5% of the dividends paid by the PRC company to him. If a Hong Kong tax-paying resident directly holds less than 25% equity interest in a PRC company, he shall pay a withholding tax of 10% of the dividends paid by the PRC company to him.

According to the *Notice of the State Administration of Taxation on the Issues Regarding the Application of the Dividends Clauses of Taxation Agreements* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) which was published by the SAT and became effective on 20 February 2009, if a fiscal resident of one of the contracting party needs to be imposed tax at the tax rate specified in the taxation treaties for the dividends paid by a PRC residential entity to him, the fiscal resident may enjoy the relevant preferential tax treatment under the taxation treaties if such fiscal resident meets the following requirements: (i) the fiscal resident of the other contracting party shall be a company; (ii) the fiscal resident of the other contracting party shall directly hold a specified percentage of all the owners' equity and voting shares of the said PRC company as per the relevant regulations; and (iii) the percentage of the capital of the said PRC company held by the fiscal resident of the other contracting party shall comply with the tax agreements at all times for 12 consecutive months before receiving the dividends.

REGULATIONS ON LAND AND PROPERTY

According to the *Property Law of the PRC* (《中華人民共和國物權法》), which was promulgated by NPC on 16 March 2007 and came into effect from 1 October 2007 to 1 January 2021, and the *Civil Code of the People's Republic of China* (《中華人民共和國民法典》), which was promulgated by NPC on 28 May 2020 and came into effect on 1 January 2021, the creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law, unless it is otherwise prescribed by any law.

According to the *Land Administration Law of the PRC* (《中華人民共和國土地管理法》), which was promulgated by the Standing Committee of the NPC on 25 June 1986 and last amended on 26 August 2019 and effective since 1 January 2020, state-owned land and land collectively owned by peasants may be determined in accordance with law to be used by units or individuals. Any entity and individual that is in need of land for construction shall apply for use of state-owned land according to the law. The right to use state-owned land may be granted by the government or be obtained by paying land use right transfer fund, and the government departments shall enter into registration in a register and issue certificates in confirmation of the use right. Pursuant to *Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas* (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) which were issued on 19 May 1990 and became effective on 29 November 2020, and was amended on 19 May 2020, the maximum term of use of state-owned land is 40 years for commercial usage, 50 years for industrial usage and 70 years for residential usage.

Construction land planning permit

According to the *Urban and Rural Planning Law of the PRC* (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of NPC on 28 October 2007 and last amended on 23 April 2019, a construction land planning permit is required for the use of both allocated land and granted land.

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Construction work planning permit

According to the *Urban and Rural Planning Law of the PRC* (《中華人民共和國城鄉規劃法》), where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a construction work planning permit from a competent urban and rural planning administrative department of the People’s Government at the municipal or county level or the People’s Government at the municipal or county level or to the People’s Government of town as recognised by the People’s Government of a province, autonomous region or municipality.

Construction work commencement permit

According to the *Construction Law of the People’s republic of China* (《中華人民共和國建築法》) promulgated by the Standing Committee of NPC on 1 November 1997 and last amended on 23 April 2019, a construction entity shall, prior to the commencement of a construction project, apply for a construction work commencement permit from a competent department of the Construction Administration of the People’s Government at or above the county level of the place where the project is located pursuant to the relevant regulations, except for small projects below the threshold value set by the competent construction administrative department under the State Council. Construction projects which have obtained approval of construction commencement reports in accordance with the procedures stipulated by the State Council under its authority are no longer required to apply for construction licences.

Inspection and acceptance of construction

According to the *Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on 2 December 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

According to the *Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on 19 October 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and reconstruction projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people’s government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

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REGULATIONS RELATED TO PERSONAL INFORMATION PROTECTION AND CYBER DATA SECURITY

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

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated by the Standing Committee of the NPC on 20 August 2021, and took effect on 1 November 2021 (the “**PIP Law**”), personal information refers to any kind of information related to an identified or identifiable natural person as electronically or otherwise recorded, excluding information that has been anonymised. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. Processing of personal information shall be for a specified and reasonable purpose, and shall be conducted for a purpose directly relevant to the purpose of processing and in a way that has the least impact on personal rights and interests. Collection of personal information shall be limited to the minimum scope necessary for achieving the purpose of processing and shall not be excessive. A personal information processor may process personal information of an individual after acquiring the individual’s consent which shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis and shall provide an easy way to withdraw consent. The processor could also process personal information without the individual’s consent in the other circumstances prescribed under the PIP Law, such as the processing is necessary for the conclusion or performance of a contract to which the individual is a contracting party or for conducting human resource management under the labour rules and regulations developed in accordance with the law and a collective contract signed in accordance with the law; the processing is necessary to fulfil statutory functions or statutory obligations; etc.

On 14 November 2021, the Cyberspace Administration of China promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例》(徵求意見稿)) (the “**Draft Cyber Data Security Regulation**”), which covers a wide range of cyber data security issues and governs the use of networks to carry out data processing activities, as well as the supervision and management of cyber data security in the PRC. The Draft Cyber Data Security Regulation is applicable to the use of networks to carry out data processing activities, and the supervision and management of network data security in the PRC, as well as several situations of overseas data processing activities that process personal and organisational data of PRC. Our Directors confirm that, during the Track Record Period and as at the Latest Practicable Date, our Group has not carried out any network data processing activities at home and abroad. Based on the aforementioned, as advised by the PRC Legal Advisers, the Draft Cyber Data Security Regulation is not applicable to our Group.

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REGULATIONS ON FOREIGN EXCHANGE

Offshore investment

According to the Notice on *Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular No. 37”), which was promulgated by the SAFE on 4 July 2014, PRC domestic residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with the assets or equity interests legally held by such PRC domestic residents in domestic enterprises or their legally-held offshore assets or interests, referred to as a special purpose vehicle (SPV) in the *SAFE Circular No. 37*. The *SAFE Circular No. 37* further requires that the SPV shall register with the SAFE for any major changes, such as any increase or reduction of the SPV’s registered capital contributed by a PRC domestic resident, share transfer or swap, and merger or division. If a PRC shareholder holding equity interest in the SPV fails to handle the registration procedures with the SAFE, the PRC subsidiary of the SPV will be prohibited from distributing dividend to the offshore parent company and shall not carry out any cross-border foreign exchange activities afterwards. Besides, the ability of the SPV to contribute additional capital to its PRC subsidiaries may be restricted. In addition, under the PRC law, the SPV may be liable for any failure to comply with the above registration requirements of the State Administration of Foreign Exchange for evasion of foreign exchange controls.

According to the *Notice on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular No. 13”), which was promulgated on 13 February 2015 and implemented on 1 June 2015 and amended on 30 December 2019, the foreign exchange registration under overseas direct investment shall be directly reviewed and handled by banks in accordance with *SAFE Circular No. 13* and the *Guides on Foreign Exchange Business Operation* (《直接投資外匯業務操作指引》) attached thereto whilst indirectly supervised by the SAFE and its branches through banks.

Foreign Currency Exchange

According to the *Regulations on the Control of Foreign Exchange* (《外匯管理條例》), which were promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and were amended on 14 January 1997 and 5 August 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad. The conditions for transfer to the PRC or overseas deposit, time limit and other details will be specified by the foreign exchange control department of the State Council. Relevant entities or individuals should submit relevant documentation for examination and approval or for record-filing prior to foreign exchange registration, if they are required to file with, or receive approval from, the competent administration departments in advance as required by the State.

According to the *Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) which was promulgated on 30 March 2015 and implemented on 1 June 2015 and amended on 30 December 2019,

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the proportion of discretionary settlement of foreign exchange capital for foreign-invested companies was temporarily set at 100%. Capital by foreign-invested companies should only be used for legitimate operating needs within the business scope. According to the *SAFE Circular No. 13*, two administrative approval procedures, namely foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, have been abolished.

M&A RULES AND OVERSEAS LISTING

According to the *Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (“**M&A Rules**”), which was promulgated by MOFCOM on 8 August 2006, became effective on 8 September 2006 and was revised on 22 June 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign-invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests in a domestic enterprise via an increase of registered capital, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign-invested enterprise. In the case where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic company that is related to or connected with it/him/her, approval from the MOFCOM is required.

On 24 December 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the “**Draft Administrative Provisions**”), and the Administrative Measures for Record-filings of the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Measures for Record-filing**”, together with the Draft Administrative Provisions, the “**Drafts relating to Overseas Listings**”), which are open for public comments until 23 January 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not been formally adopted. The provisions and anticipated effective date of the Drafts relating to Overseas Listings are subject to changes and interpretation, and its implementation remains uncertain.

REGULATORY OVERVIEW

If the Drafts relating to Overseas Listings as currently drafted become effective in the future, our PRC Legal Advisers advised that we shall fulfil applicable obligations in accordance with the effective Drafts relating to Overseas Listings and may be subject to the filing obligation accordingly. Meanwhile, (i) as of the Latest Practicable Date, (a) we had not received any decision, inquiry, notice, warning or sanction from competent authorities that national security will be threatened or endangered as a result of our [REDACTED]; (b) we had not been involved in any material ownership disputes in relation to the equity, major assets and key technologies, etc.; (c) none of us, our Controlling Shareholders or ultimate controllers had committed any crime of corruption, bribery, appropriation or misappropriation of property, or disturbance of the order of the socialist market economy in the past three years; (d) none of us, our Controlling Shareholders or ultimate controllers are being involved in any investigation due to any criminal behaviors or material non-compliance in the past three years; and (e) none of our directors, supervisors, senior management had been imposed on any serious administrative penalties or involved in any investigation due to any criminal behaviors or material non-compliance in the past three years; and (ii) we will continuously pay close attention to the Drafts relating to Overseas Listings and other legislative and regulatory development in overseas listing, and implement all necessary measures in a timely manner to ensure continuous compliance with relevant laws and regulations. Taking into account the above, assuming the Drafts relating to Overseas Listings become effective in their current form entirely in the future, after consulting our PRC Legal Advisers, our Directors are of the view that there is no material impediment for us to comply with the Drafts relating to Overseas Listings in all material aspects. In addition, as advised by our PRC Legal Advisers, given that the Drafts relating to Overseas Listings are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Drafts relating to Overseas Listings with respect to the [REDACTED] as of the Latest Practicable Date.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

According to the *Labour Law of the PRC* (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, an employer shall provide workers with the necessary labour protection gear that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards.

The *Law on Labour Contract of the PRC* (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and amended on 28 December 2012, and the *Implementation Regulations on Labour Contract Law* (《勞動合同法實施條例》), which was promulgated on 18 September 2008 and became effective on the same day, regulate both parties under a labour contract, namely the employer and the employee, and contain specific provisions involving the terms of the labour contract.

REGULATORY OVERVIEW

Social Security 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》), which became effective on 1 July 2011 and amended on 29 December 2018, the *Regulations on Occupational Injury Insurance* (《工傷保險條例》), which became effective on 1 January 2004, amended on 20 December 2010 which took effect on 1 January 2011, the *Interim Measures Concerning the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》) which became effective on 1 January 1995, the *Interim Regulations Concerning the Levy of Social Insurance* (《社會保險費徵繳暫行條例》), which became effective on 22 January 1999 and amended on 24 March 2019, and the *Regulations Concerning the Administration of Housing Fund* (《住房公積金管理條例》) which became effective on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.