## PRC REGULATORY FRAMEWORK

The Group's operations are subject to laws and regulations issued by various PRC government authorities. This section sets forth a summary of the most significant laws and regulations applicable to our business and operations in China, but as the short video and live streaming industries are still evolving in China, new laws and regulations may be adopted to require new licenses or permits in addition to those we currently have.

## REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

### Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "Telecommunications Regulations"), promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provide the regulatory framework for telecommunications service providers in the PRC. The Telecommunications Regulations classifies telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), last amended by the MIIT on June 6, 2019, information services provided via public communication network for the internet are value-added telecommunications services.

As a subcategory of the value-added telecommunications services, internet information services are regulated by the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "Internet Measures"), which was promulgated by the State Council on September 25, 2000 and last amended with immediate effect on January 8, 2011. Internet information services are defined as "services that provide information to online users through the internet". The Internet Measures classifies internet information services into commercial internet information services and non-commercial internet information services. Commercial internet information service providers shall obtain an ICP License from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed 90 days prior to its expiration, according to the Administrative Measures on Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009, amended on July 3, 2017 and came into effect on September 1, 2017.

Furthermore, the content of the internet information is highly regulated in China. According to the Internet Measures, violators may be subject to penalties, including criminal sanctions, for providing internet content that opposes the fundamental principles stated in the PRC Constitutions; compromises national securities, divulges national secrets, subverts national power or damages national unity; harms national dignity or interest; incites ethnic hatred or racial discrimination or damages inter-ethnic unity; undermines the PRC's religious policy or propagates superstition; disseminates rumors, disturbs social order or disrupts social

stability; disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime; insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or is otherwise prohibited by law or administrative regulations.

Internet information service providers are required to monitor their websites. They may not post or disseminate any content that falls within prohibited categories and must stop providing any such content on their websites. The PRC government may order ICP License holders that violate any of the above-mentioned content restrictions to correct those violations and revoke their ICP Licenses under serious conditions.

**Restrictions on Foreign Investment in Value-Added Telecommunications Services**

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) was promulgated by the State Council on December 11, 2001 and last amended with immediate effect on February 6, 2016. The regulations require the foreign investors to establish Sino-foreign joint ventures in order to provide value-added telecommunications services in China and the foreign investors may acquire up to 50% of the equity interest in the joint venture. In addition, the main foreign investor who invests in such an enterprise shall demonstrate a good track record and experience in such industry. Moreover, the joint ventures must obtain approvals from the MIIT and MOFCOM, or their authorized local counterparts, before launching the value-added telecommunications business in China.

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "2021 Negative List"), was promulgated by the NDRC and MOFCOM jointly on December 27, 2021 and came into effect on January 1, 2022. According to the 2021 Negative List, the proportion of foreign investments in an entity engages in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

Pursuant to the Ministry of Information Industry Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the "MII Notice"), issued by the Ministry of Information Industry (the "MII" which is the predecessor of the MIIT) on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer or sell licenses for value-added telecommunications services to foreign investors in any form, or provide any resources, premises, facilities or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in China. Furthermore, under the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunications services operator shall be legally owned by that operator (or its shareholders).

Pursuant to the New Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which has come into force on May 1, 2022, the qualification requirements for the main foreign investor of a foreign-invested telecommunications enterprise are removed. As of the Latest Practicable Date, the New Regulations for the Administration of Foreign-Invested Telecommunications Enterprises had just become effective, and due to the lack of further clarifications, there are still uncertainties regarding the interpretation and implementation of the New Regulations for the Administration of Foreign-Invested Telecommunications Enterprises.

**Restrictions on Commercial Performance Agency Services**

According to the Regulations for the Administration of Commercial Performances (《營業性演出管理條例》) amended by State Council on November 29, 2020, individual performers engaging in commercial performance as a profession and individual performance brokers engaging in such activities as intermediary and agency for commercial performance as a business shall obtain a business license from the industry and commerce administrative department.

Within 20 days upon obtaining a business license, an individual performer or individual performance broker shall go through the archival filing procedures with the culture administrative department of the local people's government at the county level.

**REGULATIONS RELATING TO INTERNET AUDIO-VISUAL PROGRAM SERVICES**

The Internet Culture Provisions, promulgated by the MOC on May 10, 2003 and last amended with immediate effect on December 15, 2017, provides that internet culture activities are classified into non-commercial internet cultural activities and commercial internet culture activities. Under the Internet Culture Provisions, internet culture activities include: (1) the production, reproduction, importation, distribution or streaming of internet culture products (such as online music, online game, online program, online series, online performance, online cartoon, etc.); (2) online communication activities of publishing cultural products on internet, or sending cultural products via information network such as the internet and mobile communication network to such clients as computers, fixed telephones, mobile telephones, televisions, game players, etc. as well as internet cafes and other internet access service business places for users to browse, enjoy, use or download; and (3) the exhibitions, competitions and other similar activities concerning internet culture products. To conduct commercial internet culture activities, ICP License is a prerequisite.

On April 13, 2005, the State Council promulgated Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry (《關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC regulatory agencies, namely, the MOC, State Administration of Radio, Film and Television (the "SARFT", which is the predecessor of the NRTA), the General Administration of Press and Publication, the NDRC and the MOFCOM, jointly adopted Opinions on Introducing Foreign Investments to the Cultural Sector (《關於文化領域引進外資的若干意見》). According to the above-mentioned regulations, non-state-owned

capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network. In addition, internet cultural business (excluding music) remains a prohibited area for foreign investment on the 2021 Negative List.

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the "Audio-Visual Regulations"), promulgated by the SARFT and the MII on December 20, 2007, as amended on August 28, 2015, internet audio-visual program service refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider shall obtain an Audio-Visual Permit issued by the SARFT or complete certain registration procedures with the SARFT. On March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the internet audio-visual programs, including those on mobile network (if applicable), and prohibits internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements. The State Administration of Press, Publication, Radio, Film and Television (the "SAPPRFT") issued the Supplemental Notice on Improving the Administration of Online Audio-visual Content Including Internet Drama and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) on January 2, 2014. This notice stresses that entities producing online audio-visual content, such as internet drama and micro films, must obtain a permit for radio television program production and operation, and that online audio-visual content service providers shall not release any internet drama or micro films that were produced by any entity lacking such permit. For internet drama or micro films produced and uploaded by individual users, the online audio-visual service providers transmitting such content will be deemed responsible as a producer. Further, under this notice, online audio-visual service providers can only transmit content uploaded by individuals whose identity has been verified and such content shall comply with the relevant content management rules. This notice also requires that online audio-visual content, including internet drama and micro films, to be filed with the relevant authorities before release.

Pursuant to the Audio-Visual Regulations, providers of internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations (《就<互聯網視聽節目服務管理規定>答記者問》) published on the SARFT's website on February 3, 2008, the SARFT and MII clarified that providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by SARFT on May 21, 2008 and amended on August 28, 2015.

According to the Administrative Provisions on Online Audio-visual Information Services (《網絡音視頻信息服務管理規定》), promulgated jointly by the CAC, the MCT and the NRTA on November 18, 2019, online audio-visual information service providers shall authenticate user's real identity information based on organization code, identity card number, mobile phone number, etc. Online audio-visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, deploy and apply identification technologies for illegal and non-real audio and video; if any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall save relevant records, and report to the CAC, the MCT, the NRTA, etc.

Under the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》), promulgated by the SARFT on July 19, 2004, and amended on October 29, 2020, any entities that engage in the production of radio and television programs are required to apply for a license from the SARFT or its local level counterparts. Entities with the Radio and Television Production Operation License shall conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the abovementioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind.

On June 15, 2021, the CAC launched a "Fan Group Chaos Rectification" special action, followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強"飯圈"亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to rectify chaos in online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancelation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but the network platforms should optimize and adjust ranking rules to focus on the art works themselves and professional evaluation. Also, it is not allowed to encourage fans' consumption, among others, by displaying information such as fans' personal purchase amount and contribution value, or ranking the amount of products purchased by fans. Furthermore, minors are not allowed to make virtual gifting or spending money on supporting idols, or act as the organizer or manager of a fan group.

## REGULATIONS RELATING TO ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued the Internet Live Streaming Service Management Regulations (《互聯網直播服務管理規定》) (the "Online Live Streaming Regulations"), which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, all online live streaming service providers shall take various measures during

operation of live streaming services, including but not limited to: (1) establish platforms for reviewing live streaming content, conducting classification and grading management according to the online live streaming content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms; (2) conduct verification on online live streaming users with valid identification information (e.g., authentic mobile phone numbers) and validate the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses and organization code certificates); (3) examine and verify the authenticity of the identification information of online live streaming service publishers, classify and file such identification information records with the internet information offices at the provincial level where they are located and provide such information to relevant law enforcement departments upon legal request; (4) enter into a service agreement with the users of online live streaming services of which the essential clauses shall be under guidance of internet information offices at the provincial level, to clarify the rights and obligations of the parties and require them to comply with the laws, regulations and platform conventions; and (5) establish a credit-rating system and a blacklist system, to provide management and services according to such credit rating, prohibit re-registration of accounts by online live streaming service users on the black list and promptly report such users to relevant internet information offices.

According to the Online Live Streaming Regulations, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceed the scope of their licenses, shall subject to punishment by the CAC and its provincial counterparts which may include an order to cease such services and a fine of RMB10,000 to RMB30,000. Other violations of the Online Live Streaming Regulations are subject to punishment by the national and local internet information offices; if such violations constitute crime offense, criminal investigations or penalties may be imposed.

On September 2, 2016, the SAPPRFT issued the Circular on Issues concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs (《關於加強網絡視聽節目直播服務管理有關問題的通知》) (the "Online Live Streaming Circular"). According to the Online Live Streaming Circular, appropriate Audio-Visual Permit is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military, economic, social, and cultural events. Relevant information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the SAPPRFT. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have emergency plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests and targets hired or invited by online audio-visual live streaming programs shall meet following requirements: (1) patriotic and law-abiding; (2) good public reputation and social image, no scandals and misdeeds; (3) dress, hairstyle, language and actions are consistent with public order and good morals, and not drawing topics with vulgar contents or contents inappropriate to discuss in public.

On August 1, 2018, the MIIT, the Ministry of Public Security (the "MPS"), the MCT, the NRTA, the CAC and the office for "eliminating pornography and illegal publications" jointly promulgated and implemented the Notice on Tightening the Administration of Online Live-streaming Services (《關於加強網絡直播服務管理工作的通知》), the Notice pointed out that to strengthen the administration of licensing and record-filing of online live-streaming services, online live-streaming services providers shall fulfill the website ICP filing formalities with the competent department for telecommunications according to the law. Online live-streaming services providers involved in the operation of telecommunications services and internet-based news information, online performances, live broadcast of internet audio-visual programs and other services shall apply to the relevant departments respectively for obtaining licenses for the operation of telecommunications services, internet-based news information services, network cultural operations, and dissemination of audio-visual programs through information networks and shall complete record-filing formalities with the local public security authorities in accordance with the relevant regulations within 30 days of their live-streaming services being launched.

According to the Measures for the Administration of Cyber Performance Business Operations (《網絡表演經營活動管理辦法》), promulgated by the MOC on December 2, 2016 and became effective on January 1, 2017, a cyber-performance business entity engaging in cyber performance business operations shall, in accordance with the Internet Culture Provisions, apply to the cultural administrative department at the provincial level for an Online Culture Operating License (the "ICB Lisense"), and the license shall specify the scope of its cyber performance. A cyber-performance business entity shall indicate the number of its ICB License in a conspicuous position on its homepage. According to the 2021 Negative List, foreign investors are prohibited from investing in an entity holding an ICB License (except for music). Consequently, foreign investors are prohibited from investing in businesses that carry out and operate the short video and live streaming and online game via platforms, as these businesses are deemed as businesses subject to foreign-investment prohibition by virtue of the platform's need to obtain an ICB License (except for music).

According to the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming (《關於加強網絡秀場直播和電商直播管理的通知》) issued by the NRTA on November 12, 2020, platforms providing online show live streaming or e-commerce live streaming services shall register their information and business operations by November 30, 2020. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number of its live streaming rooms, streamers and content analysts to the provincial branch of the NRTA on a quarterly basis. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform. Users that are minors or without real-name registration are forbidden from virtual gifting, and platforms shall limit the maximum amount of virtual gifting per time, per day, and per month. When the virtual gifting by a user reaches half of the daily/monthly limit, a consumption reminder from the platform and a confirmation from the user by text messages or

other means are required before the next transaction. When the amount of virtual gifting by a user reaches the daily/monthly limit, the platform shall suspend the virtual gifting function for such user for that day or month. To host any e-commerce promotion events such as E-commerce Festival, E-commerce Day or Promotion Day in the forms of live streaming, live performances, live variety shows and other live programs, the platforms shall register the information of guests, streamers, content and settings with the local branch of NRTA 14 business days in advance. Online e-commerce live streaming platforms shall conduct relevant qualification examination and real-name authentication on businesses and individuals providing live-streaming marketing services and keep complete examination and authentication records, and shall not enable imposters or businesses or individuals without qualification or real-name registration to conduct live-streaming marketing services.

According to the Notice on Promulgation of the Guiding Opinions on Strengthening the Standardized Administration of Online Live-streaming (《關於印發<關於加強網絡直播規範管理工作的指導意見>的通知》) issued by the CAC, the office for "eliminating pornography and illegal publications," the MIIT, the MPS, the MCT, the SAMR and the NRTA on February 9, 2021, online live-streaming platforms providing online live-streaming information services shall strictly abide by laws, regulations, and the relevant provisions of the State, and shall strictly perform their statutory duties and obligations, implement the list of primary responsibilities of online live-streaming platforms. Meanwhile, strengthen the access record-filing management, live-streaming platforms carrying out commercial online performances shall hold the permit for Network Culture Business and go through ICP record-filing, live-streaming platforms carrying out online audio-visual program services shall hold the Audio-Visual Permit (or complete registration with the National Network Audio-Visual Platform Information Registration Management System for online audio-visual platforms) and go through ICP record-filing.

According to the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020年修訂)》), which took effect on June 1, 2021, among others, live broadcasting service providers are not allowed to provide minors under age 16 with online live broadcasting publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live broadcasting publisher accounts. On August 30, 2021, the MCT published the Online Performance Brokerage Agencies Measures (《網絡表演經紀機構管理辦法》), which provides that the online performance brokerage agencies should not induce users to consume by means of false consumption, taking the lead in virtual gifting, etc., or to promote their online performers by encouraging virtual gifting with rankings and fake advertising. According to the Online Performance Brokerage Agencies Measures, online performance brokerage agencies shall not provide online performance brokerage services to minors under the age of 16 and if online performance brokerage services are provided to minors over the age of 16, identity information of the minors shall be verified, and written consent shall be obtained from their guardians.

On April 12, 2022, the NRTA and the Publicity Department of the the Central Committee of the Communist Party of China issued the Notice on Strengthening the Management of Live Streaming of Games on the Online Audio-Visual Program Platform (《關於加強網絡視聽節目平台遊戲直播管理的通知》) (the "April 12 Notice"). According to the April 12 Notice, (1) live streaming platforms are strictly prohibited from disseminating or streaming online games that have not been approved by the competent authorities; (2) live streaming platforms shall establish and improve the management system for information release, thread comments and emergency response related to live streaming for gaming programs, as well as improve the content and public opinion monitoring mechanism; (3) live streaming platforms shall strengthen the management of gaming streamers, and guide streamers and users to interact civilly, express themselves rationally and spend reasonably; (4) live streaming platforms shall strictly prohibit individuals who have violated laws and regulations, or public orders and social norm, or with incorrect political views, from appearing on or speaking through live streaming activities; (5) live streaming platforms shall strictly implement a classified reporting system. The launch, stream and display of gaming programs shall be submitted to the relevant administrative departments of the NRTA in accordance with the relevant requirements of live streaming programs. Online audio-visual platforms (including various domestic and overseas individual and institutional accounts opened on relevant platforms) must obtain approval before launching any live streaming programs for overseas gaming programs or competitions; and (6) live streaming platforms with game streaming programs shall establish anti-addiction mechanisms for the protection of minors, implement effective measures to ensure the practical efficacy of the youth mode, and implement real-name registration requirement. Live streaming platforms shall prohibit minors from topping up and gifting virtual items, and establish special channels to handle refund of virtual items made by minors.

On June 8, 2022, the NRTA and the MCT issued the Code of Conduct for Streamers (《網絡主播行為規範》) (the "Code of Conduct") which stipulates, among others, that: (1) for live streaming content that requires a high level of professional skills (such as medical and health care, finance, law and education), streamers should obtain the corresponding practice qualifications and report the practice qualifications to the live streaming platforms, and the live streaming platforms should review and record the relevant qualifications; (2) during live streaming sessions, streamers shall not behave extravagantly or waste food, flaunt luxury goods, jewelry and other assets, or display sexually suggestive and provocative content; (3) live streaming platforms shall establish comprehensive internal policies to manage their streamers, covering various aspects of operations, from recruitment, training, daily management, performance evaluation to violation record management, and shall provide incentives to streamers who display positive qualities and abide by the Code of Conduct, and reprimand and discipline hosts who have violated the Code of Conduct, and ban the account of streamers who have repeatedly violated the Code of Conduct or applicable rules and regulations.

## REGULATION RELATING TO MINOR PROTECTION

The Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020年修訂)》) added a new section entitled "Online Protections," which stipulates a series of provisions to further protect minors' interests on the internet, and together with the Opinions of the General Office of the MCT on Strengthening the Protection of Minors in the Online Cultural Market (《文化和旅遊部辦公廳關於加強網絡文化市場未成年人保護工作的意見》), provide, among others: (1) live streaming service providers are prohibited from providing minors under age of 16 online live streaming publisher account registration service, and must obtain consent from parents or guardians of minors and verify the identity of minors before allowing minors aged 16 and above to register online live streaming publisher accounts on live streaming platform; and (2) online service providers for products and services such as video or audio live streaming and social networking are required to establish management systems to manage viewing time, and monitor access authority and consumption for minors.

Furthermore, on March 14, 2022, the CAC promulgated the Regulation on the Protection of Minors on the Internet (Draft for Comments) (《未成年人網絡保護條例(徵求意見稿)》) for public consultations (the "Draft"). Pursuant to the Draft, (1) online service providers shall require minors or their guardians to provide the minors' identity information, where minors or their guardians refuse to do so, online service providers shall not provide relevant services to minors; (2) live streaming service providers are not allowed to provide online live streaming publisher account registration service to minors under age of 16, and must obtain the consent from guardians and verify the identity of the minors before allowing minors aged 16 and above to register online live streaming publisher accounts on live streaming platform; (3) online service providers shall establish and continue to improve their anti-addiction systems and youth mode; and (4) online service providers shall reasonably limit or monitor the total consumption amount and daily cumulative consumption amount for minors in the use of their services.

On May 7, 2022, the Office of Central Guidance Commission on Building Spiritual Civilization, the MCT, NRTA and the CAC promulgated the Opinions on Regulating Virtual Gifting to Strengthen the Protection of Minors (《關於規範網絡直播打賞加強未成年人保護的意見》) (the "May 7 Opinions"). According to the May 7 Opinions, live streaming platforms shall, among others (1) prohibit minors from virtual gifting, and implement the requirements on real-name registration; (2) not provide online live streaming publisher account registration service to minors underage of 16 and obtain the consent from guardians before allowing minors between the ages of 16 and 18 to register online live streaming publisher accounts on their platforms; (3) continue to upgrade their youth mode and establish a customer service team for minors to process, and prioritize the settlement of complaints and disputes related to minors; (4) manage key functions of their applications so that virtual gifting amount is not the sole criteria for ranking; and (5) shall discontinue all services under youth mode after 10:00 PM every day.

Failure to satisfy these requirements under the aforementioned legislations and draft, if implemented in its current form, may subject online live streaming platforms to order of rectification, administrative warning, confiscation of illegal earnings and fines. If such

platforms refuse to rectify or in serious cases, such platforms may be ordered to suspend their business and shutdown relevant websites and/or apps. In addition, their business licenses or operation permits may also be revoked, and personnel in charge and other responsible personnel may be subject to fines and other regulatory punishments.

## REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the "APPs") and the internet application store (the "APP Store") are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the "APP Provisions"), which was promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016 and was further amended in August 2022. The APP Provisions sets forth the relevant requirements on the APP information service providers and the APP Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

The APP information service providers shall satisfy relevant qualifications required by laws and regulations, strictly fulfill their responsibilities of information security management, and perform the following duties: (1) verify identities with the registered users through mobile phone numbers etc.; (2) establish and improve the mechanism for user information security protection, follow the principles of "legality, appropriateness, necessity and good faith" in collection and use of personal information, expressly state the purpose, methods and scope of information collection, and obtain the users' consent; (3) establish and improve the verification and management mechanism for the information content; adopt proper sanctions and measures such as warning, limiting functions, suspending updates, and closing accounts, for releasing illegal information content, as appropriate, keep records and report to the competent department; (4) according to the law, protect and safeguard users' "rights to know and rights to choose" during installation or use; do not turn on the functions of collecting geographic location, reading address books, or using cameras or recordings, without express statement to the users and the consent of the users; do not turn on functions irrelevant to the services; do not tie up and install irrelevant APPs; (5) respect and protect intellectual property rights; do not produce or release APPs which violate others' intellectual property rights; and (6) keep records of user log information.

## REGULATIONS ON INTERNET ADVERTISEMENT

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and last amended on April 29, 2021, requires advertisers to ensure that the content of the advertisements is true. The content of advertisements shall not contain prohibited information, including but not limited to: (1) information that harms the dignity or interests of the State or divulges the secrets of the State; (2) information that contains wordings such as "national level", "highest level" and "best"; and (3) information that contains ethnic, racial, religious, sexual discrimination. Advertisements

posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up windows on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click.

On July 4, 2016, the SAIC promulgated the Internet Advertisement Measures (《互聯網廣告管理暫行辦法》), which became effective on September 1, 2016. The internet Advertisement Measures regulates any advertisement published on the internet, including but not limited to, those on websites, webpage and APPs, those in the forms of word, picture, audio and video. According to the Internet Advertisement Measures, internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the internet information service provider merely provides information services and is not involved in the internet advertisement businesses. The following activities are prohibited under the Internet Advertisement Measures: (1) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (2) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (3) harming the interests of others by using false statistics or traffic data.

## REGULATIONS ON INFORMATION SECURITY

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000 and amended with immediate effect on August 27, 2009, makes it unlawful to: (1) intrusion into any of the computer information systems relating to state affairs, national defense or cutting-edge science and technology; (2) disseminate politically disruptive information; (3) leak state secrets; (4) spread false commercial information; or (5) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the MPS on December 16, 1997 and amended on January 8, 2011, prohibits the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

In addition, the State Secrecy Bureau is authorized for the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the SCNPC issued the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of China's "critical information infrastructure". These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may impact national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihoods, or the public interest, specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government.

On December 28, 2021, the CAC, and other regulatory authorities jointly released the revised Cybersecurity Review Measures, which came into effect on February 15, 2022. It further restates and expands the applicable scope of the cybersecurity review. Pursuant to the Cybersecurity Review Measures, on the basis of the Cybersecurity Review Measures released in 2020, in addition to the procurement of network products and services by critical information infrastructure operators, any data processing activities that affects or may affect national security shall also be subject to the cybersecurity review. In accordance with the Cybersecurity Review Measures, internet platform operators holding personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when they seek listing in a foreign country.

On June 10, 2021, the SCNPC issued the Data Security Law, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

On July 30, 2021, the State Council issued the Security Protection Regulations of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "CII Regulations"), which came into effect on September 1, 2021. Pursuant to the CII Regulations, "critical information infrastructures" refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures (the "Protection Authorities"). The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. These provisions were newly issued, and detailed rules or explanations may be further enacted with respect to the interpretation and implementation of such provisions, including rules on identifying critical information infrastructures in different industries and sectors. As of the date of this document, the Company had not received any notification from the critical information infrastructure protection authorities about being identified as "an operator of critical information infrastructure."

On October 29, 2021, the CAC has publicly solicited the Measures for the Security Assessment of Data Cross-border Transfer (Draft for Comments), which requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Data Cross-border Transfer (Draft for Comments) was officially

promulgated by the CAC on July 7, 2022 as the Measures for Outbound Data Transfers, and came into effect on September 1, 2022. The Measures for Outbound Data Transfers provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information collected and generated by operators of critical information infrastructure and data processors processing the personal information of more than 1 million individuals; (ii) where the data to be transferred to an overseas recipient is important data; (iii) where a personal information processor that has provided personal information of more than 100,000 people or sensitive personal information of more than 10,000 people overseas in aggregate since January 1 of the previous year provides personal information overseas; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (1) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (2) data processors that handle the personal information of more than one million people intends to be listed abroad; (3) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for "affects or may affect national security." In addition, the Draft Data Security Regulations also regulates other specific requirements in respect of the data processing activities conducted by data processors through internet in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For example, in one of the following situations, data processors shall delete or anonymize personal information within fifteen business days: (1) the purpose of processing personal information has been achieved or become obsolete; (2) the storage term agreed with the users or specified in the personal information processing rules has expired; (3) the service has been terminated or the account has been disabled by the individual; and (4) unnecessary personal information or personal information inevitably collected without the consent of the individual due to the use of automatic data collection technology. For important data, data processors must comply with specific requirements, such as specifying the responsible person of data safety, establishing a data safety management department and filing to the cyberspace administration at the city level within 15 business days after the identification of important personal data. Pursuant to the Draft Data Security Regulations, the processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by data security service agencies every year, and submit the previous year's data security assessment report to the cyberspace administration at the districted city level before January 31 of each year.

On December 31, 2021, the CAC, the MIIT, the MPS and the SAMR jointly announced Provisions on the Management of Algorithmic Recommendations for Internet Information Services (《互聯網信息服務算法推薦管理規定》) (the "Provisions on Algorithmic Recommendations"), which became effective on March 1, 2022. Provisions on Algorithmic Recommendations specifies that it applies to the application of algorithmic recommendation technologies to provide internet information services (the "Algorithmic Recommendation Services") within the territory of China. Algorithmic Recommendation Services providers shall comply with certain standards of information services and ensure the protection of users' rights and interests. For example, the providers of Algorithmic Recommendation Services shall inform users of the circumstances of the Algorithmic Recommendation Services in a prominent manner, provide users with options not to target their individual characteristics, or provide users with convenient options to close Algorithmic Recommendation Services. Our operations shall comply with such provisions. If we fail to fulfill our responsibilities and obligations under such provisions, we may be subject to penalties such as warning, public reprimand, orders to make corrections within a time limit, suspension of information updating, fines and other penalties.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which was promulgated by the MPS on December 13, 2005 and became effective on March 1, 2006, requires Internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the Cyber Security Law, network operators must also report any instances of public dissemination of prohibited content. If a network operator fails to comply with such requirements, the PRC government may revoke its ICP License and shut down its websites.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission ("OCCAC") and the SAMR jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain App security certification, and search engines and App stores are encouraged to recommend certified application to users.

## REGULATIONS ON INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet content provision operators from collecting and analyzing personal information from their users. However, the Internet Measures prohibits an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was promulgated by the MIIT on December 29, 2011 and became effective on March 15, 2012, stipulates that internet content

provision operators must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information, and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, internet content provision operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which came into effect on September 1, 2013. Most requirements under the Order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the Order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user's personal information, and de-register the relevant user's account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, network operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

On January 23, 2019, the CAC, the MIIT, the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via APPs (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restated the

requirements of legal collections and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified APPs.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On June 1, 2021, the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020年修訂)》), promulgated by the SCNPC, came into effect, which specifies stringent requirements for the protection of minors' information.

On August 20, 2021, the SCNPC promulgated the PIPL, which became effective on November 1, 2021. The PIPL specifically specified the rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities, and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On November 28, 2019, the CAC, the MIIT, the MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and use of personal information by Apps, including "not providing privacy rules" and "not publishing rules on the collection and usage of personal information".

On October 31, 2019, the MIIT issued the Circular on Launching a Special Rectification Program Against Application Harming Users' Rights and Interests (《關於開展App侵害用戶權益專項整治工作的通知》), the MIIT will focus on the following four aspects of standardized rectification work, including: Irregular collection of users' individual information; Irregular use of users' individual information; Unreasonable claim for users' authorities; Setting obstacles to users' account cancelation.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC on August 29, 2015 and became effective on November 1, 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify

upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary 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 Notice on Promulgation of the Guiding Opinions on Strengthening the Standardized Administration of Online Live-streaming (《關於印發<關於加強網絡直播規範管理工作的指導意見>的通知》) issued by the CAC, the office for "eliminating pornography and illegal publications," the MIIT, the MPS, the MCT, the SAMR and the NRTA on February 9, 2021, online live-streaming platforms shall strictly abide by the relevant regulations on the protection of personal information, regulate the collection and legal use of users' personal information such as identities, geographic locations and contact information, fully protect users' legitimate rights and interests such as the right to know, the right to choose, and the right to privacy, guide and regulate users' reasonable consumption and rational rewards in accordance with the laws and regulations, keep records of live-streaming images, interactive messages, and rewards in accordance with the laws and regulations, and intensify the crackdown on various infringements upon the rights and interests of users to effectively maintain the order of the online live-streaming industry.

## REGULATIONS RELATING TO INTELLECTUAL PROPERTY

### Copyright

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December, 2001.

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "Copyright Law"), which was promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering

technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

The Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》), which was issued by the State Council on May 18, 2006, took effect on July 1, 2006 and was last amended on January 30, 2013, further provides that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement. The internet information service provider may be exempted from indemnification liabilities under the following circumstances:

(i) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (1) it has not chosen or altered the transmitted works, performance and audio/visual products and (2) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;

(ii) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the indemnification liabilities if (1) it has not altered any of the works, performances or audio/visual products that are automatically stored; (2) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (3) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;

(iii) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (1) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (2) it has not altered the works, performances and audio/visual products that are provided by the users; (3) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (4) it has not directly derived any

economic benefit from the providing of the works, performances and audio/visual products by its users; and (5) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation; and

(iv) any internet information service provider that provides its users with search engine or link services is not required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MIIT and National Copyright Administration (the "NCA") and took effect on May 30, 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner's notice for 6 months. Where an internet information service provider clearly knows an internet content provider's tortuous act of infringing upon another's copyright through internet, or fails to take measures to remove relevant contents after receipt of the copyright owner's notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》), issued by the NCA in April 2015, includes the following four major points: (1) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit the distortion of title and work intent; (2) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (3) encourage the press and internet media to actively carry out copyright cooperation; and (4) ask the copyright administrations at all levels to strictly implement copyright supervision.

The Circular on Strengthening the Copyright Administration of Internet Literary Works (《關於加強網絡文學作品版權管理的通知》) promulgated by the NCA on November 4, 2016 and effective from the same day provides that internet service providers who provide literary works through information networks and render relevant network services shall strengthen the copyright supervision and administration, establish a sound infringing works handling mechanism, and fulfill the obligation to protect the copyright of internet literary works according to the law, fulfill the obligation to review the copyright of literary works disseminated and exercise their duty of care according to the law. Except as otherwise provided by laws and regulations, without the permission of right holders, the dissemination of their

literary works shall be prohibited and shall establish a copyright compliant mechanism, actively accept complaints from right holders, and resolve the legitimate demands of right holders in a timely manner according to the law.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the "Software Copyright Measures"), promulgated by the NCA on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures (《軟件著作權登記辦法》) and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》) (2013年修訂).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Notice on Launching "Jian Wang 2016" Special Actions Against Internet Piracy and Copyright Infringement (《關於開展打擊網絡侵權盜版"劍網2016"專項行動的通知》), jointly issued by the NCA, the MIIT, the MPS and the CAC in 2016 includes the following: (1) the punishment of the unauthorized distribution of online literature, news, and films, and protecting the legitimate rights of the copyright owners; (2) the crackdown of the distribution of pirated content through mobile apps, e-commerce platforms, and online advertising platforms, in order to maintain the order of the internet copyright environment; and (3) the copyright order of online music, online cloud storage space, and online distribution of news will be further standardized to create a clean internet environment for copyright.

**Trademark**

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration (the "Trademark Office") is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license contracts must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

**Patent**

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984 and amended on October 17, 2020 with effect from June 1, 2021. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

**Domain Names**

The MIIT promulgated the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) (the "Domain Name Measures") on August 24, 2017, which became effective on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The China Internet Network Information Center (the "CNNIC") is responsible for the daily administration of.cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. The domain name services follow a "first apply, first register" principle. In November 27, 2017, the MIIT promulgated the Notice of the Ministry of Industry and

Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

## REGULATIONS ON OVERSEAS LISTING

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (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》(草案徵求意見稿)) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing 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)》) (collectively the "New Consultation Drafts") for public consultations until January 23, 2022. Pursuant to the New Consultation Drafts, domestic enterprises that directly or indirectly list overseas shall go through the filing procedures with the CSRC. Furthermore, if the issuer meets the following conditions, the offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (1) the total assets, net assets, revenues or profits of the domestic operating entity of the issuer in the most recent accounting year account for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) the senior managers in charge of business operation and management of the issuer are mostly Chinese citizens or have domicile in China, and its main places of business are located in China or main business activities are conducted in China.

According to the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments), if an enterprise falls under any of the following circumstances, it will not allowed to list overseas: (1) the PRC laws and regulations and relevant provisions expressly prohibit such listing; (2) the relevant competent authorities of the State Council determined that the overseas listing threaten or endanger national security; (3) material ownership disputes over equity, major assets or core technologies of the enterprise; (4) enterprise and controlling shareholder, actual controller have committed crimes of corruption, bribery, embezzlement, misappropriation of property or disrupting the order of the socialist market economy in the past three years, or are being investigated by judicial authorities for suspected crimes or suspected major violations of laws and regulations; (5) directors, supervisors and senior managers of the enterprises have been subject to administrative penalties in the past three years and the circumstances are serious, or are being investigated by judicial authorities for suspected crimes or suspected major violations of laws and regulations; and (6) other circumstance as prescribed by the State Council.

On December 27, 2021, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List. The Internet

cultural activities, Internet audio-visual program services, and value-added telecommunications services are subject to foreign investment restrictions or prohibitions as set out in the 2021 Negative List, and according to the 2021 Negative List, to list overseas, any domestic enterprise engaging in the fields prohibited by the 2021 Negative List shall obtain the consent of the relevant competent authorities of the State, and the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors' shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors.

## REGULATIONS RELATING TO FOREIGN EXCHANGE

### General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 and various regulations issued by SAFE and other relevant PRC government authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local branches. Payments for transactions that take place within China must be made in RMB. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of China. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current account may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of China.

### Regulations Relating to Offshore Investment

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (the "SAFE Circular 75"), which became effective on November 1, 2005, the domestic residents, including domestic individuals and domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "Overseas SPV"), for the purposes of overseas equity financing activities, and to update such registration in the event of any

significant changes with respect to that offshore company. On July 4, 2014, the SAFE promulgated the Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents 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 37"), which replaced SAFE Circular 75, for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. SAFE Circular 37 supersedes the SAFE Circular 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an Overseas SPV, which is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the Overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the Overseas SPV directly established or controlled (first level)". At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

On February 13, 2015, SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), effective from June 1, 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

## REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the "Encouraging Catalog") and the Special Management Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the "Negative List") which were promulgated and are amended from time to time by MOFCOM and the NDRC, and together with the PRC Foreign Investment Law and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic

framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged," "restricted" and "prohibited." Industries not listed in the Catalog are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On December 27, 2020, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版》), which became effective on January 27, 2021, to replace the previous Encouraging Catalog. On December 27, 2021, MOFCOM and the NDRC released 2021 Negative List, which became effective on January 1, 2022, to replace the previous Negative List.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (《中華人民共和國外商投資法》) (the "FIL"), which became effective on January 1, 2020 and replaced the major laws and regulations governing foreign investment in the PRC. Pursuant to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (1) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors; (2) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC; (3) foreign investors investing in new projects in the PRC solely or jointly with other investors; and (4) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The FIL provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. The FIL does not comment on the concept of "de facto control" or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; allows foreign investors' funds to be freely transferred out and into the territory of PRC, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL

provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The Implementation rules further clarified that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent Commerce Department.

## REGULATIONS RELATING TO TAX

### Enterprise Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得税法》) and the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得税法實施條例》) (collectively, the "EIT Laws") were promulgated on March 16, 2007 and December 6, 2007, respectively, and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China. Pursuant to an Arrangement Between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax 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》) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the "Circular 81") issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

The Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "Circular 82") was promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (1) the primary location of the day-to-day operational management is in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives habitually reside in the PRC.

The EIT Laws permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% EIT rate subject to these HNTEs meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%.

The Announcement of the State Administration of Taxation on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "Bulletin 7") was issued by the SAT on February 3, 2015 and recently amended on December 29, 2017. Pursuant to Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct

transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or a place of business in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7.

**VAT and Business Tax**

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the Ministry of Finance (the "MOF") and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, the MOF and the SAT promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, a VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值税暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, the MOF and the SAT issued the Notice on Adjustment of VAT Rates (《關於調整增值税税率的通知》), which came into effect on May 1, 2018. According to the abovementioned Notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the MOF, the SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) (the "Announcement 39"), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (1) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (2) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (3) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (4) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (5) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

## REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

### Labor Contract Law

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by State rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with State-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with State stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was issued on June 29, 2007, implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer's rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

### Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporation of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16,

1997, the Decision on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obligated to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

## SANCTIONS LAWS AND REGULATIONS

This section sets out a summary of the International Sanctions imposed by United Nations, European Union, United Kingdom, United States and Australia.

### United Nations

Through various resolutions during and before the Track Record Period, the UN Security Council ("UNSC") imposed arms embargoes, targeted asset freezing measures and economic and trade sanctions against (or in relation to) a number of countries (or against certain individuals and organizations within those countries). The UNSC sanctions are mostly related to conflict areas and are designed to discourage activities which destabilize peace and security. There are currently twelve active sanctions regimes against (or relating to) specific sovereign countries and a number of resolutions concerning sanctions against ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities. In some case, the UNSC sanctions target specific regimes (particularly in the case of the Democratic People's Republic of Korea ("DPRK").

The UNSC sanctions include the requirement to freeze the asset and economic resources of designated individuals and legal entities. In some cases, the sanctions include a travel ban on certain individuals designated under the sanctions regime. In most cases, individuals and legal entities are designated on the basis of evidence of their involvement in military, repression, terrorism or other violent activities or abuses of human rights. In some cases, legal entities are included in the sanctions lists on the basis that they are used to fund or organize such activities or to provide a cover for such activities. In most cases, the UNSC sanctions also

include an arms embargo prohibiting UN member states from selling arms (or permitting the sale of arms) to the country in question or (in the case of Islamic State and Al-Qaida) to designated individuals and entities.

UNSC sanctions against the DPRK are particularly extensive and include not only asset freezing against lists of designated individuals and entities but also a ban on supplying any items that may support the development of military capabilities, items relevant to nuclear, ballistic missiles and other weapons of mass destruction-related programs, bans on the purchase from the DPRK of coal and various other minerals, precious metals, wood and other commodities, textiles, seafood and statues and a ban on the sale to the DPRK of various items ranging from crude oil, refined petroleum products, condensed natural gas through to new or used vessels or new helicopters and luxury goods. The UNSC resolution relating the sanctions against the DPRK also prohibits the grant of work permits to workers from the DPRK.

UNSC resolutions are binding on UN member states under the UN Charter. In order to bring these decisions into effect they have to be implemented into domestic legislation by each UN member state. This means that the interpretation and enforcement of UNSC sanctions may differ among United Nations member states.

**European Union**

The European Union ("EU") imposed economic sanctions implementing the current UNSC sanctions regimes and the measures required under those regimes (such as arms embargos and the freezing of assets and economic resources of designated individuals and legal entities as well as more extensive economic measures against the DPRK). In addition, the EU introduced its own sanction regimes ("Domestic Sanction Regimes") against (or in relation to) certain other countries, organizations or individuals. In certain cases, in addition to asset freezing measures against designated persons and an arms embargo, the Domestic Sanction Regimes imposes sector-specific trade sanctions, notably, sanctions targeting arctic sea oil explorations and extraction activities in Russia, broad economic sanctions against the occupied Crimea territory (including an import ban of all products originating in Crimea) and various economic measures imposed against Venezuela and Myanmar. In addition, the EU imposed asset freezing sanctions against designated individuals and organizations designed to counter international terrorism, cyber-crime, corruption, abuse of human rights and the use of chemical weapons.

Whilst some of the EU sanctions regimes (such as against the DPRK and the Crimea region of Ukraine occupied by Russia) ban of a broad range of economic activities involving the affected territories, none of those EU regimes imposes a blanket prohibition against business dealings or financial transactions with individuals or organizations in those territories relating to non-controlled and non-prohibited articles or services (except dealings with individuals or organizations specifically designated under the sanctions regime).

EU Sanctions extend to all persons in the territory of the EU, any nationals of any EU member state or entities incorporated under the laws of EU member states (whether inside or outside the territory of the EU), and to all activities conducted in or through the EU territory (including on board any aircraft or any vessel under the jurisdiction of an EU member state) or otherwise subject to EU jurisdiction. The EU sanctions regulations are directly applicable in the 27 member states of the EU. Each EU member state sets out its own enforcement measures and procedures against violations of the sanctions regimes, however, EU law requires those measures to be effective and deterring.

**United Kingdom**

While the United Kingdom ("UK") withdrew from the EU with effect from 31 December 2020, upon its withdrawal it adopted the EU sanctions regime into its domestic legislation and continues to enforce identical sanctions as the EU in relation to its own territory, its nationals and legal entities subject to its jurisdiction. Before 31 December 2020, the UK enforced EU sanctions within its own territory in the same way as all other EU member states. In addition, the UK extended its (and the EU's) sanctions regimes to certain overseas territories including (amongst others) the Cayman Islands and the British Virgin Islands. Domestic laws in those territories (passed by the UK legislature and through local legal measures) enforce the EU/UK sanctions regimes (which include the UNSC sanctions) against nationals of those overseas territories, legal entities operating under the laws of the overseas territories and against activities in violation of the sanctions carried out through the territories of the overseas territories, including through their banking system, vessels and aircraft.

Violation of the sanctions regimes including acts of circumvention of the sanctions or facilitating of such violations, may constitute criminal offenses in the relevant jurisdictions and may give rise to criminal sanctions against individuals, legal entities and the directors of legal entities.

**United States of America**

***Economic Sanctions***

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers U.S. economic sanctions programs authorized under various enacted laws, Executive Orders, and codified regulations. As of the date of this document, OFAC administers comprehensive economic sanctions against the Sanctioned Countries of Cuba, Iran, North Korea, Syria, and the Crimean, Donetsk People's Republic, and Luhansk People's Republic regions of Ukraine, which prohibit nearly all transactions involving these Sanctioned Countries unless authorized by OFAC. In addition, as of the date of this document, the United States has less restrictive, list-based sanctions against Sanctioned Targets that are individuals and entities in other jurisdictions including the Balkans, Belarus, Burma, Burundi, Central African Republic, Democratic Republic of the Congo, Ethiopia, Hong Kong, Iraq, Lebanon, Libya, Mali, Nicaragua, Russia, Somalia, South Sudan, Sudan, Ukraine, Venezuela, Yemen, and Zimbabwe. OFAC also has list-based sanctions programs aimed at Sanctioned Targets that

are individuals and companies around the world who are involved in certain harmful activities like narcotics trafficking, cyber-crime, terrorism, proliferation of weapons of mass destruction, public corruption, and human rights abuses.

The broadest of OFAC's list-based sanctions apply against Sanctioned Targets that appear on OFAC's List of Specially Designated Nationals and Blocked Persons ("SDN List," with each listed person an "SDN"). OFAC also applies the SDN List to entities that are 50% or more owned by SDNs (the "50 Percent Rule"). Under this 50 Percent Rule, the same prohibitions against dealing with SDNs apply to any such owned entities that do not explicitly appear on the SDN List. SDNs and Sanctioned Targets under the 50 Percent Rule are subject to asset blocking sanctions, such that their property interests subject to U.S. jurisdiction become "blocked" and U. S. persons may not be deal in those interests. Besides the SDN List, OFAC also administers other list-based sanctions that are more limited in scope that prohibit only specified types of transactions.

The prohibitions under OFAC's sanctions programs apply directly as primary sanctions to "U.S. persons," meaning U.S. citizens, U.S. lawful permanent residents, persons located within U.S. territory, and entities established under U.S. law (including foreign subsidiaries with respect to the Cuban and Iranian sanctions). U.S. persons are prohibited generally from directly or indirectly engaging in transactions with Sanctioned Countries and dealing in the property interests of Sanctioned Targets. However, OFAC sanctions also prohibit facilitation and causation of prohibited transactions between U.S. persons and Sanctioned Countries and Sanctioned Targets. It is thus possible for non-U.S. persons to violate OFAC's primary sanctions in limited circumstances by facilitating or causing a U.S. person's violation of OFAC sanctions (e.g., by serving as an intermediary or soliciting a U.S. person's involvement in a prohibited transaction).

OFAC imposes secondary sanctions on non-U.S. persons who engage in significant transactions with, or on behalf of, Sanctioned Countries and Sanctioned Targets. In these cases, the non-U.S. person becomes a Sanctioned Target subject to the asset blocking sanction. The non-U.S. person would lose the ability to deal with U.S. persons or make use of the U.S. financial system.

***Trade Sanctions***

The U.S. Department of Commerce's Bureau of Industry and Security ("BIS") administers U.S. trade sanctions that are distinct from OFAC's economic sanctions. These BIS administered trade sanctions include U.S. trade embargoes against Sanctioned Countries and export restrictions against certain Sanctioned Targets that appear on BIS's Entity List among other sanctions lists. These trade sanctions are codified in the Export Administration Regulations ("EAR") and only apply with respect to the exportation, re-exportation, and transfer of commodities, software, and technology that are "subject to the EAR." In general, an item is only subject to the EAR if it is sourced from the United States or if it has substantial U.S. content above a prescribed "*de minimis*" threshold.

**Australia**

In Australia, sanction laws implement two related sanctions regimes: the UNSC sanctions regimes outlined above and Australian autonomous sanctions regimes under the *Autonomous Sanctions Act 2011* (Cth) and *Autonomous Sanctions Regulations 2011* (Cth) ("autonomous sanctions"). The autonomous sanctions have extraterritorial reach and apply to Australian citizens, bodies corporate that are registered in Australia or controlled by a body corporate registered in Australia, persons located in Australia, activities conducted in or through Australia, and conduct or a result of conduct occurring on board an Australian aircraft or an Australian ship.

Autonomous sanctions have been imposed against the following countries: Crimea and Sevastopol; the DPRK; the Former Federal Republic of Yugoslavia; Iran; Libya; Myanmar; Russia and Ukraine; Syria; and Zimbabwe.