We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment

Some of our subsidiaries in the PRC were foreign-invested companies after the completion of the Reorganization.

Investment activities in the PRC by foreign investors are principally governed by the Negative List and the Catalog. On December 27, 2021, the MOFCOM and the NDRC jointly promulgated the Negative List, which came into effect on January 1, 2022 and repealed the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020). The Negative List sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 27, 2021, sets out the encouraged industries for foreign investment. According to the Negative List, foreign share ratio for value-add telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centres) shall not exceed 50% and foreign investment in radio and television program production and operation (including imported business) companies is prohibited.

Foreign-Invested Enterprises

On December 29, 1993, the SCNPC promulgated the *PRC Company Law* (《中華人民共和國公司法》), or the Company Law, which was last amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

According to the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, *Sino-foreign Equity Joint Ventures of the PRC* (《中華人民共和國中外合資經營企業法》), the *Wholly Foreign-owned Enterprises Law of the PRC* (《中華人民共和國外資企業法》) and *Sino-foreign Cooperative Joint Ventures of the PRC* (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

In December 2019, the State Council promulgated the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the *Regulations on Implementing the Foreign Investment Law of the PRC* came into effect, the *Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC* (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the Ministry of Commerce and the SAMR promulgated the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the *Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in the PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

LAWS AND REGULATIONS RELATING TO VATS

The business of Ophyer Technology involves the provision of telecommunication and information services through our marketing business conducted online under our AR/VR marketing services business segment, the process of which involves Ophyer Technology, working with media platforms and their agents, developing and customizing the AR/VR interactive content via the Wanjie Smart Marketing Platform and placing advertisements based on such content. In the process, AR/VR interactive content is generated using modules and programs in Ophyer Technology's web servers in which marketing content is stored and accessed through links, and Ophyer Technology charges fees from customers based on the performance effect of the marketing effort. Such process falls within the scope of VATS. Ophyer Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi each holds an ICP License for the provision of Internet contents, and Ophyer Technology also holds a SP License for the provision of information services. Hence, we are subject to the PRC regulations relating to VATS.

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) or the Telecommunications Regulations, which came into effect on September 25, 2000 and was last amended on February 6, 2016, provide a regulatory framework for telecommunications service providers in China. The Telecommunications Regulations require telecommunications service providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications businesses into basic

telecommunications businesses and VATS businesses. According to the *Catalog of Telecommunications Business* (《電信業務分類目錄》), which was attached to the Telecommunications Regulations and was last amended by the MIIT on June 6, 2019, information service provided via fixed network, mobile network and Internet fall within the scope of VATS.

The *Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》), or the Internet Measures, which took effect on September 25, 2000 and was last amended on January 8, 2011, set out guidelines on the provision of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services, and a commercial operator of Internet content provision services must obtain an ICP License for the provision of Internet information services from the appropriate telecommunications authorities.

The *Administrative Measures for Telecommunications Businesses Operating Licensing* (《電信業務經營許可管理辦法》), which took effect on September 1, 2017, provide that a commercial operator of VATS services must first obtain an ICP License from MIIT or its provincial level counterparts. In addition, in the first quarter of every year while the operator is holding the license, the operator must report information such as business performance and service quality to the issuing authorities.

Foreign direct investment in telecommunications companies in China is governed by the 2016 Regulations, which was promulgated by the State Council on December 11, 2001 and was last amended on February 6, 2016. The 2016 Regulations require foreign-invested VATS enterprises in China to be established as Sino-foreign equity joint ventures, and the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested VATS enterprise operating the VATS business in China must demonstrate a good track record and overseas experience in operating a VATS business (the "**VATS Qualification Requirements**"); the main foreign investor is defined as the investor who makes the largest contribution among all foreign investors and has a share of 30% or more of the total amount invested by all foreign investors. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunication business in China.

On March 29, 2022, the State Council promulgated the 2022 Decision that took effect from May 1, 2022 made significant changes to the 2016 Regulations. The 2022 Decision repealed the VATS Qualification Requirements. As such, the restrictions imposed by the VATS Qualification Requirements are no longer applicable to foreign investors, and foreign investors are allowed to

hold no more than 50% of the equity interests of a company providing VATS. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision.

According to the *Circular of Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-Added Telecommunication 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》), which came into effect on July 13, 2006, a foreign investor that invests in telecommunications services within the territory of China shall, in strict accordance with the Provisions, apply for establishing a foreign-funded telecommunication enterprise and a corresponding license for telecommunications operation. A foreign investor that fails to go through the said procedures subject to relevant laws may not make any investment in the telecommunications business within the territory of China.

LAWS AND REGULATIONS RELATING TO PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS

Apart from its principal business in promotion services, the business of Zhongrunxing involves the production of animation videos, which falls within the scope of "production and operation of radio and television programs" services. Zhongrunxing holds a radio and television programs production business license (the "**TPPB License**") for such business issued by the Beijing Municipal Radio and Television Bureau (the "**BRTB**").

Pursuant to the *Regulations on Broadcasting and Television Administration* (《廣播電視管理條例》) promulgated by the State Council on August 11, 1997 which became effective on September 1, 1997, and last amended on November 29, 2020, radio and television programs may only be produced by radio stations, television stations and television production and operation entities established with the approval of the Radio and Television Administrative Department (廣播電視行政部門) of the People's Government above the provincial level. Radio stations and television stations are not allowed to broadcast radio and television programs produced by entities which have not obtained the Radio and TV Programs Production and Operation License (廣播電視節目製作經營許可證).

According to the *Administrative Provisions for the Production and Operation of Radio and Television Programs* (《廣播電視節目製作經營管理規定》) promulgated by NRTA on July 19, 2004, effective on August 20, 2004 and amended on August 28, 2015 and October 29, 2020, the Radio and TV Programs Production and Operation License shall be obtained for engaging in production and operation of radio and television program. Entities holding such license shall conduct their business within the permitted scope as provided in their license. TV drama series are

allowed to be produced by organizations holding the Radio and TV Programs Production and Operation License, provided that the License for TV Drama Series Production is obtained in advance separately.

LAWS AND REGULATIONS RELATING TO MARKETING BUSINESS

The *Advertising Law of the PRC* (《中華人民共和國廣告法》), or the Advertising Law, which took effect on February 1, 1995 and was last amended on April 29, 2021, regulates contents of advertisements, codes of conduct for advertising customers, and the supervision and administration of the advertising industry. It also stipulates that advertising customers, advertising operators, and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy, and compete in a fair manner in advertising business. According to the Advertising Law, if advertising operators know or should have known the content of the advertisements is false or deceptive but still provide advertising design, production and agency services in connection with the advertisement, they might be subject to penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licenses.

The *Interim Measures for the Administration of Internet Advertising* (《互聯網廣告管理暫行辦法》), or the Interim Measures on Internet Advertising, which took effect on September 1, 2016, regulate advertising activities conducted via the Internet. According to the Interim Measures on Internet Advertising, all Internet advertisements are required to be marked with the word "advertisement" so that viewers can easily identify them as such, and advertisements published or distributed via the Internet shall not interfere with users' normal use of the Internet. For example, advertisements published on web page pop-up windows or in other forms shall be clearly marked with a "close" sign to ensure "one-click closure". No entity or individual may induce users to click on the contents of an advertisement through deception. An Internet advertisement publisher or advertising operator shall establish and maintain an acceptable registration, examination and file management system for its advertising customers; examine, verify and record the identity information of each advertiser. The Interim Measures on Internet Advertising also require Internet advertisement publishers and advertising operators to verify related supporting documents, check the contents of the advertisement and prohibit them from designing, producing, providing services or publishing any advertisement if the content and supporting documents do not match each other or the documentary evidence thereof is insufficient.

According to the *Interim Measures on Internet Advertising*, where Internet advertisements are unidentifiable, relevant regulatory authorities may order the online advertising service providers to rectify within a certain time limit and/or impose a fine of no more than RMB100,000. A person who at the time of making use of the Internet to publish advertisements, fails to provide a prominently marked "close" button to ensure "one-click closure", shall be ordered by the

administration for market regulation to make the correction, and a fine ranging from RMB5,000 to RMB30,000 shall be imposed on the advertiser. A person who lures users to click on the content of advertisements by fraudulent means, or without permission, attach advertisements or advertising links in the emails sent by users, shall be ordered to make corrections and shall be imposed a fine of not less than RMB10,000 but not more than RMB30,000.

On March 15, 2021, the SAMR published the *Supervision and Administration of Online Trading* (《網絡交易監督管理辦法》) (the "**Online Trading Measures**"), which came into effect on May 1, 2021. The Online Trading Measures shall apply to the business activities of selling goods or providing services through information networks such as the Internet within the territory of PRC as well as the supervision and administration thereof by the administrations for market regulation. According to the *Online Trading Measures*, online transaction operators may not engage in business operations without a license or permit in violation of any law, regulation, or decision of the State Council. Business operators providing online transaction operators with publicity and promotion, payment and settlement, logistics and delivery, network access, server hosting, virtual hosts, cloud services, website, and web design services, etc. (the "**other service providers**") shall promptly assist the administrations for market regulation in investigating and punishing illegal online transaction activities according to the law and provide the relevant data and information held by them. Where the administration for market regulation discovers illegal activities of online transaction operators and requires online transaction platform operators and other service providers to take measures to stop such activities under the law, the online transaction platform operators and other service providers shall cooperate.

LAWS AND REGULATIONS RELATING TO INFORMATION SECURITY AND PRIVACY PROTECTION

We provide AR/VR marketing services, AR/VR SaaS and related services to our customers through the Internet. We store some necessary information relating to our customers. Hence, we are subject to the PRC regulations relating to information security and personal privacy protection.

In November 2016, SCNPC promulgated the *PRC Cybersecurity Law* (《中華人民共和國網絡安全法》), or the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires that network operators, including Internet information services providers, take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of its networks. We are subject to such requirements as we provide certain Internet services through our AR/VR SaaS platform. The Cybersecurity Law further requires Internet information services providers to formulate contingency plans for network security incidents, report to the competent departments immediately upon the occurrence of any incident endangering cybersecurity, and take corresponding remedial measures.

Internet information services providers are also required to maintain the integrity, confidentiality, and availability of network data. The Cybersecurity Law reaffirms the basic principles and requirements specified in other existing laws and regulations on personal data protection, such as the requirements on the collection, use, processing, storage, and disclosure of personal data, and Internet information services providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged, or lost. Any violation of the Cybersecurity Law may subject an Internet information services provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or criminal liabilities.

The *Decision on Maintenance of Cybersecurity* (《關於維護互聯網安全的決定》) enacted by the SCNPC on December 28, 2000, as amended in August 2009, stipulates, among others, that the following activities conducted via Internet are subject to criminal penalty if they constitute crimes under PRC law: (i) hacking into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack computer systems and communications networks, thus damaging computer systems and the communications networks; (iii) disconnecting computer networks or communications services without authorization in violation of laws and regulations; (iv) divulging state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights via Internet.

The *Provisions on Technological Measures for Cybersecurity Protection* (《互聯網安全保護技術措施規定》) promulgated on December 13, 2005 by the Ministry of Public Security requires Internet service providers and organizations that use interconnection services to implement technical measures for cybersecurity protection from any threat to network security, such as computer viruses and network attacks and breaches. All Internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, VATS license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a VATS license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Pursuant to the *Decision on Strengthening the Protection of Online Information* (《關於加強網絡信息保護的決定》) promulgated by the SCNPC in 2012 and the *Provisions on 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》) promulgated by the MIIT in 2013 and the Cybersecurity Law, any collection and use of a user's personal information must be consensual, legal, reasonable, and necessary, and must be limited to specified purposes, methods, and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging,

tampering with, or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage, or loss. In case of any actual or potential leakage of user personal information, Internet information service providers must take immediate remedial measures and make timely report to the relevant regulatory authorities and inform users in accordance with the regulations. Any violation of these laws and regulations may subject the Internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or even criminal liabilities.

Pursuant to the *Notice of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Lawfully Punishing Criminal Activities Infringing upon the Personal Information of Citizens* (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) promulgated in 2013 and the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens* (《最高人民法院、最高人民檢察院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》) promulgated on May 8, 2017 and effective on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant regulations and rules; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person, and not recoverable); (iii) collecting a citizen's personal information in violation of applicable regulations and rules when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting, or exchanging such information in violation of applicable regulations and rules.

On December 28, 2021, the CAC and 12 other PRC regulatory authorities jointly revised and promulgated the Revised CAC Measures, which came into effect on February 15, 2022 and repealed the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) promulgated on April 13, 2020. The Revised CAC Measures provide that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities, which affect or may affect national security, shall apply for cybersecurity review and that a platform operator with more than one million users' personal information aiming to list abroad (國外上市) must apply for cybersecurity review. Article 10 of the Revised CAC Measures further provides that during the cybersecurity review, CAC shall focus on the assessment of national security risk factors of the relevant object or situation: (i) risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products and services; (ii) the harm caused by supply interruption of products and services to the business continuity of critical information infrastructure; (iii) security, openness, transparency and

diversity of sources of products and services, reliability of supply channels, and risks of supply interruption due to political, diplomatic, trade or other factors; (iv) information on compliance with Chinese laws, administrative regulations and departmental rules by product and service providers; (v) risks of theft, disclosure, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) risks of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing; and (vii) other factors that may endanger critical information infrastructure security and national data security.

On August 20, 2021, the SCNPC promulgated the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》), which came into effect on November 1, 2021. The PRC Personal Information Protection Law integrates the scattered rules with respect to personal information rights and privacy protection and aims at protecting the personal information rights and interests, regulating the processing of personal information and promoting the reasonable use of personal information. Personal information, as defined in the PRC Personal Information Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The PRC Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but are not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

On June 10, 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

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 cyber security 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 intending to be listed abroad; (3) the data processor intending 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 provide no further explanation or interpretation for "affects or may affect national security". In addition, the Draft Data Security Regulations also regulate 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-border safety management and obligations of Internet platform operators. For example, the processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting 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. As of the Latest Practicable Date, the Draft Data Security Regulations had not come into effect and the public comment period of the Draft Data Security Regulations had ended on December 13, 2021.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer《數據出境安全評估辦法》), which took effect on September 1, 2022. These measures outline the requirements and procedures for security assessments on export of important data or personal information collected within the territory of mainland China. Furthermore, these Measures provide that the security assessment shall combine pre-assessment and continuous supervision, and security self-assessment and security assessment to prevent data export security risks. More specifically, these Measures specify that any of the circumstances below will require security assessment before any cross-border data transfer out of China can take place: (i) the data transferred out of China is important data; (ii) the data processor is a critical information infrastructure operator or a data processor that processes personal information of more than 1 million individuals; (iii) the data processor processes personal information of more than 100,000 individuals, or sensitive personal information of more than 10,000 individuals since January 1 of the previous year; or (iv) under other circumstances as stipulated by the CAC. The data processing entities need to carry out a self-assessment before they can apply through provincial CACs for a security assessment to be carried out and approved by the CAC at the central level.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On July 6, 2021, the General Office of the State Council of the PRC together with the General Office of the Communist Party of China Central Committee jointly promulgated the Securities Activities Opinions. The Securities Activities Opinions call for the enhanced supervision of overseas listed China-based companies, propose to revise the relevant regulations governing the overseas issuance and listing of shares by such companies and clarify the responsibilities of competent domestic industry regulators and government authorities. The Securities Activities

Opinions also call for improving laws and regulations on data security, cross-border data transfer and management of confidential information for overseas-listed China-based companies (中概股公司). We will be supervised by the Securities Activities Opinions after our Listing as an overseas-listed China-based company. However, the Securities Activities Opinions primarily consist of high-level guidance and detailed implementation measures have yet to be promulgated. Therefore, it remains uncertain how detailed implementation measures will be promulgated by relevant authorities and how these implementation measures will apply to our Group's business.

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)》) (the "**Draft Administration Provisions**") 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)》) (the "**Draft Measures**"). The *Draft Administration Provisions* and the *Draft Measures* were open for public comments until January 23, 2022.

The *Draft Administration Provisions*, if adopted in their current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by setting out a filing-based regulatory regime. According to the *Draft Administration Provisions*, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and provide the relevant information. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. As implementation rules, the Draft Overseas Listing Filing Measures specify the filing requirements and procedures.

The *Draft Measures* provide that if an issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic companies: (i) any of the revenue, net profit, total assets or net assets of the domestic companies accounted for more than 50% of the respective audited revenue, net profit, total assets or net assets of the issuer within the latest financial year; (ii) a majority of the officers responsible for management of the issuer are PRC citizens or have their usual place of residence in the PRC, or the issuer's main place of operation is within the PRC. It is unclear based on the *Draft Measures* whether either or both of the above criteria would need to be satisfied. Where an issuer makes an application for initial public offering to competent overseas regulators, the issuer

mustsubmit filing documents to the CSRC within three working days after such application is submitted. The *Draft Measures* also require subsequent report to the CSRC on material events, such as material change in principal business and change of control.

As of the Latest Practicable Date, the public consultation on the *Draft Administration Provisions* and the *Draft Measures* had ended, but the final version and effective date of such regulations are not published and therefore are subject to change with substantial uncertainty.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

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》), or the PRC Copyright Law, which was promulgated by the SCNPC on September 7, 1990, as amended on October 27, 2001 and last amended on November 11, 2020, and came into 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 PRC Copyright Law is to encourage the creation and dissemination of works which is beneficial to the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture. Unless otherwise stipulated in the PRC Copyright Law, anyone that wishes to use another's work shall conclude a licensing contract with the copyright owner of the work. A licensing contract shall include: the type(s) of right(s) being licensed; whether the license is exclusive or non-exclusive; the geographic scope and term of the license; the amount and method of remuneration; liability for breach of contract; and other details which the parties consider necessary. Where the right licensed is an exclusive licensing right, the contracts shall be made in writing, except in cases where works are to be published by newspapers and periodicals according to the *Implementing Regulations of the Copyright Law of the PRC* (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and became effective on March 1, 2013. Any person, who concludes an exclusive licensing contract or assignment contract with a copyright owner, may submit, for filing, the contractual documents to the copyright administrative department.

According to the *Regulation on Computer Software Protection* (《計算機軟件保護條例》), which took effect on October 1, 1991 and was last amended on January 30, 2013 and subsequently came into effect on March 1, 2013, the software copyright shall exist from the date on which its development has been completed, and software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. On February 20, 2002, the National Copyright Administration of the PRC promulgated the *Measures on Computer Software Copyright Registration* (《計算機軟件著作權登記辦法》), which outlines the operational procedures for registration of software copyright, as well as registration of the license for the software copyright and software copyright transfer contracts. The Copyright Protection Center of the PRC (中國版權保護中心) is mandated as the software registration agency under the regulations.

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》), which became effective on January 1, 2013 and last amended on December 29, 2020, provide that any network user or network service supplier provides without permission works, performance, sound or visual recordings to which the right holder has information network transmission right, the people's courts shall hold that said user or service supplier has infringed upon the information network transmission right, unless otherwise provided for by laws and administrative regulations.

Patents

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), or the PRC Patent Law, promulgated by the SCNPC on March 12, 1984, and last revised on October 17, 2020 and came into effect on June 1, 2021, and the Rules for the *Implementation of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last amended on January 9, 2010 and became effective on February 1, 2010, the patent administrative department under the State Council is responsible for administration of patent-related work nationwide. The patent administration departments of province or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules divide patents into three types, "invention", "utility model" and "design". Invention patents are valid for 20 years, while design patents are valid for 15 years and utility model patents are valid for 10 years, from the date of application. The patentee shall pay an annual fee commencing from the year in which the patent right is granted. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be

granted to the person who files the application first. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Trademarks

Trademarks are protected by the *Trademark Law of the PRC* (《中華人民共和國商標法》), or the PRC Trademark Law which was promulgated by SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013, respectively, and was last amended on April 23, 2019, and came into force on November 1, 2019, as well as the *Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002, subsequently amended on April 29, 2014, and became effective on May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office (商標局) under the National Intellectual Property Administration (國家知識產權局) handles trademark registrations and grants a term of 10 years from the date of registration to registered trademarks. Trademarks are renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within 12 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 agreements must be filed with the Trademark Office for record. 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, the licensee shall display the name of the licensor and the place of origin on the commodities that bear the licensed registered trademark. As to 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.

Domain Names

In accordance with the *Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》) which was promulgated by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC.

Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Foreign exchange

On January 29, 1996, the State Council promulgated the *Administrative Regulations on Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the State Administration of Foreign Exchange, or the SAFE, promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well as multiple capital accounts for the same entity may be opened in different provinces.

Later, the SAFE promulgated the *Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE promulgated the *Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors* (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, became effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt proceeds and remitted foreign exchange, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the *Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenue under capital accounts, such as capital funds, foreign debts and overseas listing revenue for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Pursuant to the *Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-tripping Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle*s (《國家外匯管理局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》), or the Circular 37, which was promulgated by the SAFE and became effective on July 4, 2014, a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, if there is any change in the basic information of the Overseas SPV, such as the PRC resident individual shareholder, name, term of business, or a significant change such as increase or reduction of capital contribution, equity transfer or exchange by the PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau.

Pursuant to the *Circular of the SAFE on Further Simplifying and Improving the Direct Investment Related Foreign Exchange Administration Policies* (《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》), or the Circular 13, which was promulgated on February 13, 2015, became effective on June 1, 2015 and was partially abolished on December 30, 2019, the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes promulgated by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment related foreign exchange registration via banks.

Overseas direct investment

The *Administrative Measures for Overseas Investment Management* (《境外投資管理辦法》) was promulgated by the MOFCOM on March 16, 2009 and was last amended on September 6, 2014. As defined by the Administrative Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with an overseas investment certificate for enterprise by the relevant provincial commercial administration authorities.

On December 26, 2017, NDRC promulgated the *Administrative Measures for the Overseas Investment of Enterprises* (《企業境外投資管理辦法》), which took effect on March 1, 2018. Under the measures, sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of large-amount non-sensitive overseas investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make overseas investments through overseas enterprises under their control, the measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC promulgated the *Catalogue of Sensitive Overseas Investment Industry (2018 Version)* (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018 under which enterprises shall be restricted from making overseas investments in certain industries including without limitation real estate and hotel.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal law governing dividend distributions by our PRC subsidiaries is the PRC Company Law, while the dividend distribution by wholly foreign-owned enterprises, which is applicable to Beijing Flowing Cloud, is further governed by Foreign Investment Law and its implementation regulations. According to the above laws and regulations, Chinese companies (including foreign-owned enterprises) may only pay dividends based on the accumulated profits calculated in accordance with PRC accounting principles.

In addition, in accordance with the PRC Company Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of its after-tax profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital unless the provisions of laws regarding foreign investment otherwise provided. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. Such reserved cash cannot be distributed as cash dividends.

LAWS AND REGULATIONS RELATING TO LEASE OF PROPERTY

Pursuant to the *Administrative Measures for Commodity Housing Tenancy* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on December 1, 2010 and came into effect on February 1, 2011, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real-estate) departments of the municipalities directly under the central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) departments of the people's governments of the municipalities directly under the central government of the PRC, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine of no more than RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC laws and regulations that govern employment relationship are the *Labor Law of the PRC* (《中華人民共和國勞動法》), or the Labor Law, promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》), or the Labor Contract Law, which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012, and the *Implementation Rules of the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and came into effect on the same day. According to the

aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the *Social Insurance Law of PRC* (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5‰ shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (promulgated by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the *Regulation on Work-Related Injury Insurance* (《工傷保險條例》) (promulgated by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the *Regulations on Unemployment Insurance* (《失業保險條例》) (promulgated by the State Council on January 22, 1999 and came into effect on the same day), the *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》)

(promulgated by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the *Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得税法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with

no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived income from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such income is derived from their set-up institutions or sites in the PRC, or such income is obtained outside the PRC but has an actual connection with the set-up institutions or sites. Non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sourced from the PRC.

Value-Added Tax

The major PRC law and regulation governing value-added tax are the *Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值税暫行條例》) (promulgated on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017), as well as the *Implementation Rules for the Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值税暫行條例實施細則》) (promulgated on December 25, 1993 by the Ministry of Finance, or the MOF, came into effect on the same day and revised on December 15, 2008 and October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Unless otherwise required, the rate of VAT shall be 17%. Any entities and individuals engaged in the sale of services and intangible assets shall pay VAT at the rate of 6%, unless otherwise stipulated in Article 2 of the Interim Regulations on Value-added Tax of the PRC.

On March 23, 2016, the MOF and the State Administration of Taxation, or the SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), which was amended on July 11, 2017 and on March 20, 2019, under which the rate of VAT shall be (1) 11% for providing transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right; (2) 17% for providing leasing services of tangible movables; (3) zero for cross-border taxable acts of entities or individuals in China, and the specific scope shall be separately stipulated by the MOF and the SAT; and (4) 6% for other items.

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and SAT promulgated the *Notice of on Adjusting VAT Rates* (《關於調整增值税税率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly promulgated the *Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值税改革有關政策的公告》) on March 20, 2019 to make a further adjustment that the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Stamp Duty

According to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花税暫行條例》) promulgated on August 6, 1988 and became effective on October 1, 1988 and revised on January 8, 2011 and the *Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花税暫行條例施行細則》) promulgated on September 29, 1988, became effective on October 1, 1988 and was revised on November 5, 2004, all units and individuals which conclude or receive any of the following documents in the PRC shall pay stamp duty: documents issued for purchase and sale transactions, process contracting, construction project contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; documents of transfer of property title; books of accounts for business; documentation of rights or licences; other documents determined by the Ministry of Finance to be taxable.

Pursuant to the Table of Items and Rates of Stamp Duty, stamp duty for purchase and sale contract and technology contract shall be paid at 0.03% of the purchase and sale amount and the contract amount, respectively; stamp duty for survey and design contract of construction project shall be paid at 0.05% of the charged amount; stamp duty for construction and installation contracting contract shall be paid at 0.03% of the contracting amount; stamp duty for loan contract shall be paid at 0.005% of the loan amount; and in respect of property transfer, the contracting parties shall pay stamp duty at 0.05% of the contract price of the property transferred; stamp duty for property leasing shall be paid at 0.1% of the lease amount.

The Stamp Duty Law of the PRC (《中華人民共和國印花税法》), or the Stamp Duty Law was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022. According to the Schedule of Stamp Duty Items and Tax Rates Stamp attached to the Stamp Duty Law, stamp duty for processing contract shall be paid at 0.03% of the reward; and stamp duty for the transfer documents for trademark exclusive rights, work rights, patent rights, and proprietary technology use rights shall be paid at 0.03% of the contract price.

Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the *Provisional Provisions on the Collection of Educational Surtax* (《徵收教育費附加的暫行規定》), which was last amended on January 8, 2011, all entities and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax. The educational surtax rate is 3% of the amount of VAT, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with VAT, business tax and consumption tax. In accordance with the *Urban Maintenance and Construction Tax Law of the PRC* (《中華人民共和國城市維護建設税法》) which was promulgated on August 11, 2020 and came into effect on September 1, 2021, VAT and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

Dividend Withholding Tax

The Enterprise Income Tax Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital* (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this 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%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家税務總局關於執行税收協定股息條款有關問題的通知》) promulgated on February 20, 2009, if the relevant PRC tax authorities determine, in their discretions, 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.

Pursuant to the *Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties* (《國家税務總局關於税收協定中「受益所有人」有關問題的公告》), which was promulgated on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant's status as the "beneficial owner" regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the "beneficial owner" must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the *Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements* (《國家税務總局關於發布〈非居民納税人享受税收協定待遇管理辦法〉的公告》).

Tax on Indirect Transfer

On February 3, 2015, the SAT promulgated the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises* (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》), or SAT Circular 7. Pursuant to SAT Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a "reasonable commercial purpose" in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange.

On October 17, 2017, the SAT promulgated the *Circular on Issues of Tax Withholding Regarding Non-PRC Resident Enterprise Income Tax* (《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》), or SAT Circular 37, which was amended by the *Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents* (《國家税務總局關於修改部分税收規範性文件的公告》) promulgated on June 15, 2018 by the SAT. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises.