
REGULATORY OVERVIEW

The PRC laws and regulations that have a significant impact on our business operations are set out below:

LAWS AND REGULATIONS RELATING TO AUCTION SEGMENT

According to the Auction Law of the People's Republic of China (《中華人民共和國拍賣法》) which was promulgated by the SCNPC on July 5, 1996 and implemented on January 1, 1997, and subsequently revised on August 28, 2004 and April 24, 2015, and the Measures for the Administration of Auctions (《拍賣管理辦法》) which was promulgated by the MOFCOM on October 2, 1994 and implemented on October 2, 1994, and subsequently revised on December 2, 2004, October 28, 2015 and November 30, 2019, no auction house shall engage in any auction business before receiving an auction business license. Commercial departments at local levels shall grant an enterprise that fulfills relevant requirements with the Approval Certificate of Auction Business. If any articles or property rights are prohibited for sale by laws or regulations, or their ownership or right of disposition is in dispute, or they are goods under the Customs control for which Customs formalities have not been completed, then the auction of such articles and property rights is prohibited. An auction house shall have the right to verify itself or require the consignor to specify in writing the sources and defects of the auction objects. Where an auction house and consignor have declared, prior to the auction sale, that they cannot guarantee the authentication or quality of an auction object, they shall be free from any warranty liability for the defects of the object. However, if the auction house or the consignor clearly knows or should have known that the auction object is defective, such disclaimer is invalid. The auction house shall exhibit the auction objects for at least two days prior to the auction sale, except for fresh goods or other perishable goods. After a transaction is concluded, the buyer and the auction house shall execute a written confirmation. The auction house shall keep the complete books of accounts, auction record and other relevant information relating to business operations for no less than five years, counting from the date of expiration of the contract for authorization of auction. The Administration of Auctions applies to our online bidding platform, Epaiji.

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 27 October 1994 and last amended on 29 April 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: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as "national level", "highest level" and "best", and (iii) 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 window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click.

REGULATORY OVERVIEW

On 4 July 2016, the SAIC (since March 2018 known as the State Administration for Market Regulation) promulgated the *Internet Advertisement Management Measures* (《互聯網廣告管理暫行辦法》) which became effective on 1 September 2016. The *Internet Advertisement Management 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. The Internet Advertising Management Measures specifically set out the following requirements: (a) advertisements must be identifiable and marked with the word "advertisement" enabling consumers to distinguish them from non-advertisement information; (b) sponsored search results must be clearly distinguished from natural search results; and (c) advertisements shall be published or distributed by means of the Internet without affecting the normal use of the network by users, and it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce Internet users to click on an advertisement in a deceptive manner.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Pursuant to the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) promulgated on 15 March 2019 and came into effect on 1 January 2020, and the Implementation Regulations for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the State implements a management system of national treatment before the entry of foreign investment plus a negative list. If the investment conducted by investors from Hong Kong Special Administrative Region and Macau Special Administrative Region, the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law shall apply.

On December 30, 2019, the 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, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY PROTECTIONS

Patents

Pursuant to the PRC Patent Law (《中華人民共和國專利法》), most recently amended in October 2020, and its implementation rules, most recently amended in January 2010, patents in China fall into three categories: invention, utility model and design. An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility model is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure (or a combination of both) of a product. A design patent is granted to a new design of a certain product in shape,

REGULATORY OVERVIEW

pattern (or a combination of both) and in color, shape and pattern combinations aesthetically suitable for industrial application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to invention are effective for twenty years, utility models are effective for ten years and design patents are effective for fifteen years from the date of application. The PRC Patent Law adopts the principle of “first-to-file” system, which provides that where more than one person files a patent application for the same invention, a patent will be granted to the person who first files the application.

Existing patents can be invalidated due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity and practical applicability. Under the PRC Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with China National Intellectual Property Administration, the “CNIPA”. Normally, the CNIPA publishes an application for an invention patent after 18 months from the filing date, the period of which may be shortened at the request of applicant. The applicant must apply to the CNIPA for a substantive examination within three years from the date of application.

The PRC Patent Law provides that, for an invention or utility model completed in China, any applicant (not limited to Chinese companies and individuals), before filing a patent application outside of China, must first submit it to the CNIPA for a confidential examination. Failure to comply with this requirement will result in the denial of any Chinese patent for the relevant invention.

Compared with the previous version, the PRC Patent Law added the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of “open licensing” (開放許可); (iv) improving the distribution of burden of proof in patent infringement cases; (v) increasing the compensation for patent infringement; and (vi) patent term adjustment for compensating delays of the CNIPA, in the examination of patent applications.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and became effective from November 1, 2019, the period of validity for a registered trademark is ten years, commencing from the date of registration. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The

REGULATORY OVERVIEW

registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), effective in June 1, 1991 and latest amended on November 11, 2020, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the rights of reproduction and distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, constitutes infringements of copyrights. The infringer must, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology or pay damages.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated on June 4, 1991 and latest amended on January 30, 2013, a software copyright owner may complete registration formalities with a software registration authority recognized by the State Council's copyright administrative department. A software copyright owner may authorize others to exercise that copyright, and is entitled to receive remuneration.

Domain names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT, on August 24, 2017 and effective from November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Regulations relating to Foreign Exchange Administration on Foreign Direct Investment

Under the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), which was last amended by the State Council and became effective on August 5, 2008, Foreign institutions and individuals who invest directly in China shall conduct registrations with foreign exchange authorities upon approval by the relevant authorities.

REGULATORY OVERVIEW

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for 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》), which was promulgated by the State Administration of Foreign Exchange, the "SAFE", and became effective on June 1, 2015, has cancelled (1) confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; (2) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; (3) foreign exchange filling of overseas re-investment; and (4) annual inspection on foreign exchange of direct investment. According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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》) which was promulgated by the SAFE and became effective on June 9, 2016, The term "discretionary settlement of foreign exchange receipts under the capital account" means the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. Domestic institutions may, when conducting the discretionary settlement of foreign exchange receipts under the capital account, use their foreign exchange receipts according to the system of foreign exchange settlement upon payment. The foreign exchange receipts under the capital account and capital in RMB obtained through foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for payments outside the business scope or for payments prohibited under relevant laws and regulations; (2) directly or indirectly used for investment in securities or for investment in financing products other than principle guaranteed products provided by banks, unless otherwise provided by laws and regulations; (3) used for granting loans to non-related enterprises, unless permitted by the scope of business; and (4) used for constructing or purchasing of real estate that is not for self-use, unless such company is a real estate company.

SAFE Circular 37

In July 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《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 SAFE Circular 37, which replaced the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《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》), or the SAFE Circular 75. SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its

REGULATORY OVERVIEW

local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. SAFE Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we may make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any change of basic information or material events. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China.

Regulations Relating to Employee Stock Incentive Plan

On February 15, 2012, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. In addition, the State Taxation Administration, the SAT, has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax, the "IIT". The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their IIT according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law (《中華人民共和國公司法》), promulgated in 1993 and latest amended in 2018 and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT, SOCIAL SECURITY AND HOUSE FUNDS

Labor Law, Labor Contract Law and its Implementation Regulations

Pursuant to the *PRC Labor Law* (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018 and the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the content of work, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions. Violations of the PRC Labor Contract Law and the *PRC Labor Law* may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

Regulations on Social Insurance and Housing Provident Funds

According to the Law of Social Insurance of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and was amended on 29 December 2018, the Chinese social security system basically consists of five major types of social insurances, namely maternity insurance, pension insurance, medical insurance, unemployment insurance and work-related injury insurance, and each company in the PRC is required to contribute social insurance for its employees. If any company fails to fully pay the social insurance premiums, the social insurance contributions collecting agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment at the rate of 0.05% 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.

REGULATORY OVERVIEW

Under the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and revised on 24 March 2019, which stipulates the collection and payment of basic pension insurance, basic medical insurance and unemployment insurance, employers and individuals shall pay social insurance premiums timely in full amount. At the same time, it clarified that if an employer fails to pay and withhold social insurance premiums, the labour insurance administrative department or the tax authority shall order it to pay within a prescribed time limit. When the payment is not made at the expiry of the prescribed time limit, 0.2% of the amount of arrears per day shall be collected.

In accordance with the Regulations on the Management of Housing Fund (《住房公積金管理條例》), which was last amended by the State Council and came into effect on March 24, 2019, employers shall apply for housing fund deposit registration with the local housing fund administrative center, and shall open an housing fund account at the relevant bank. Employers failing to complete such registration and open such account may be ordered to make corrections within a prescribed time limit; if they fail to do so within the time limit, a fine of RMB10,000 to RMB50,000 will be imposed on them. Where an employer fails to pay the housing fund in full, the housing fund administrative center will order the employer to pay the amount within a prescribed time limit; if the employer still fails to pay the amount, the housing fund administrative center can apply to the People's Court for compulsory enforcement of the outstanding amount.

LAWS AND REGULATIONS RELATING TO TAXATION

Regulations on Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) effective as of January 1, 2008 and latest amended on December 29, 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% with certain exceptions. To clarify certain provisions in the PRC Enterprise Income Tax Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) on December 6, 2007, which was latest amended and became effective on April 23, 2019. Under the PRC Enterprise Income Tax Law and the Implementation Rules of the PRC Enterprise Income Tax Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Aside from enterprises established within the PRC, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are subject to the uniform 25% enterprise income tax rate for their global income. In addition, the PRC Enterprise Income Tax Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC, but has an establishment or place of business in the PRC, or does not have an establishment or place of business in the PRC but has income sourced within the PRC.

REGULATORY OVERVIEW

The Implementation Rules of the PRC Enterprise Income Tax Law provide that since January 1, 2008, an income tax rate of 10% shall normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or 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 the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

Regulations on Value Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), latest amended by the State Council on November 19, 2017, the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the Ministry of Finance on December 15, 1993 and latest amended and came into effect on November 1, 2011 (collectively, the "VAT Law"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value added tax ("VAT"). On November 19, 2017, the State Council promulgated The Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC must pay VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the Notice, was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, the VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the Ministry of Finance, State Taxation Administration and General Administration of Customs jointly promulgated the Announcement on Policies for Deeping the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Notice 39, which came into effect on April 1, 2019. Notice 39 further changes the VAT tax rates of 16% and 10% to 13% and 9% respectively.

Stamp Tax

Under the Provisional Regulations of the People's Republic of China on Stamp Tax (《中華人民共和國印花稅暫行條例》) (the "Provisional Regulations on Stamp Tax") which was promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, and subsequently revised on January 8, 2011, and the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) (the "Stamp Tax Law"), which was promulgated by SCNPC to replace the Provisional Regulations on Stamp Tax, becoming effective on July 1,

REGULATORY OVERVIEW

2022, all enterprises and individuals creating and obtaining taxable documents within China are taxpayers of stamp tax and shall pay stamp tax according to law. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents resemble contract in nature, title transfer deeds, business account books, certificate of rights, license and other taxable documents specified by the Ministry of Finance. The specific tax rates and mounts shall be subject to the List of Items and Rates of Stamp Tax (《印花稅稅目稅率表》) which is attached to the Stamp Tax Law.

Urban Maintenance and Construction Tax and Education Surcharges

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and implemented on December 1, 2010, foreign invested enterprises, foreign enterprises and foreign individuals are applicable to the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) (the "Provisional Regulations on City Maintenance and Construction Tax") which was promulgated by the State Council on February 8, 1985 and implemented on January 1, 1985, and subsequently revised on January 8, 2011 and was replaced by the Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》) (the "Provisional Regulations on Urban Maintenance and Construction Tax") which was promulgated by the SCNPC on August 11, 2020 and came into effect on September 1, 2021, and the Provisional Regulations for Imposition of Education Surcharges (《徵收教育費附加的暫行規定》) (the "Provisional Regulations on Education Surcharges") which was promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986, and subsequently revised on June 7, 1990, August 20, 2005 and January 8, 2011.

According to the Provisional Regulations on Urban Maintenance and Construction Tax, all units and individuals that pay consumption tax and VAT are all taxpayers who pay taxes on urban maintenance and construction. They shall pay the urban maintenance and construction tax according to the regulations. The computation of city maintenance and construction tax shall be based on the amount of consumption tax and VAT actually paid by taxpayers, and the tax shall be paid together with the payment of consumption tax and VAT. If the location of the taxpayer is in the urban area, the tax rate of urban maintenance and construction shall be 7%; if the location of the taxpayer is in the county or town, the tax rate of urban maintenance and construction shall be 5%; if the location of the taxpayer is not in the urban area, the county or town, the tax rate of urban maintenance and construction shall be 1%.

REGULATORY OVERVIEW

According to the Provisional Regulations on Education Surcharges, all units and individuals who pay the consumption tax, VAT and business tax shall pay education surcharges in accordance with the regulations of the Provisional Regulations on Education Surcharges, except the units that pay rural surcharges of operating expenses of education in accordance with the regulations of the Circular of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The computation of education surcharges shall be based on the amount of VAT, business tax, and consumption tax actually paid by each unit and individual. The education surcharges rate is 3%, and the tax shall be paid together with the payment of VAT, business tax, and consumption tax.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Anti-unfair Competition Law

According to the Anti-unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) (the “Anti-unfair Competition Law”) which was promulgated by the SCNPC on September 2, 1993 and implemented on December 1, 1993, and subsequently revised on November 4, 2017 and April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators shall not conduct misleading behaviors which may confuse consumers to take their commodities as the commodities of others or lead consumers to believe that there is a connection between their commodities and other persons. Operators shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers. Operators shall not help other operators to conduct false or misleading commercial publicity by organizing false transactions. Operators shall not infringe on trade secrets. Operators shall not fabricate or disseminate false or misleading information or damage the business reputation of the competitors or their goods. Operators engaging in production or operations activities online shall also abide by the provisions of the Anti-unfair Competition Law. No operator may, by technical means to affect users’ options, among others, commit the acts of interfering with or sabotaging the normal operation of online products or services legally provided by another operator. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

Anti-Monopoly Law

According to the Anti-Monopoly Law of the People’s Republic of China (《中華人民共和國反壟斷法》) (the “Anti-Monopoly Law”) which was promulgated by the SCNPC August 30, 2007 and implemented on August 1, 2008, and subsequently revised on 24 June 2022, effective from August 1 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition.

REGULATORY OVERVIEW

The anti-monopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. The anti-monopoly law enforcement agencies of the State Council may, according to the needs of their work, authorize the corresponding agencies of the people’s governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the anti-monopoly law enforcement agencies to stop the illegal act and be imposed a fine.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “Cyber Security Law”), which was promulgated by SCNPC on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》) which was jointly promulgated by the CAC and other twelve PRC regulatory authorities on December 28, 2021 and effective in February 15, 2022, (i) the purchase of cyber products and services by critical information infrastructure operators (the “CIIOs”) and the network platform operators (the “Network Platform Operators”) who engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC and (ii) the Network Platform Operators possessing personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. Further, the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine the cyber products or services, and data processing activities affect or may affect the national security.

REGULATORY OVERVIEW

In addition, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Measures for Network Data Security, on 14 November 2021, which specify that data processor who seeks to list in Hong Kong that affects or may affect the national security shall apply for the cybersecurity review. However, the criteria for determining “affect or may affect the national security” as stipulated therein remain unclear and is still subject to further explanation and elaboration, and substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Measures for Network Data Security. In accordance with the National Security Law of the PRC (《國家安全法》), “national security” refers to a status in which the state power, sovereignty, unity and territorial integrity, people’s well-being, sustainable economic and social development and other vital national interests shall face no relative danger of internal and external threats, as well as the ability to safeguard sustainable security. Given that the definition in determining “national security” is relatively extensive and no further detailed interpretation has been provided, there remains uncertainties as to the categories and scope of data processing activities which would influence or possibly influence national security under the Draft Measures for Network Data Security.

LAWS AND REGULATIONS RELATING TO DATA SECURITY AND PRIVACY PROTECTION

The PRC Data Security Law (《中華人民共和國數據安全法》), which was promulgated by SCNPC on June 10, 2021 and became effective on September 1, 2021, requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. 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. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product Quality Responsibility

In accordance with the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) (the “Product Quality Law”) which was promulgated by the SCNPC on February 22, 1993 and implemented on September 1, 1993, and subsequently revised on July 8, 2000, August 27, 2009 and December 29, 2018, the engagement in product manufacturing and sales activities in China shall abide by the Product Quality Law. Producers and sellers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national

REGULATORY OVERVIEW

standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the function they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), which was promulgated by the National People’s Congress on May 28, 2020 and came into effect on January 1, 2021, in the event of damage caused to others due to product defect, the infringed may seek compensation from the manufacturer of the products or may also seek compensation from the seller of the products. Where the product defect is caused by the producer, the seller may, after paying compensation, claim the same from the producer. Where the product defect is caused by the fault of the seller, the producer may, after paying compensation, claim the same from the seller.

LAWS AND REGULATIONS RELATING TO CONSUMERS PROTECTION

According to the Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the “Consumer Protection Law”) which was promulgated on October 31, 1993, amended on August 27, 2009 and October 25, 2013 and became effective on March 15, 2014, unless otherwise provided by this law, a business operator that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on the package of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal national decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is not adequate in quantity; (vii) where the service items and fees are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by the PRC laws and regulations, are harmed.

LAWS AND REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, the PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (“Overseas Offering and Listing”), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Specifically, following the principle of substance over form, if an issuer

REGULATORY OVERVIEW

both meets the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprises: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. In the case of indirect Overseas Offering and Listing by a PRC domestic enterprise, the issuer shall designate a major domestic operating entity as the responsible domestic party for filing with CSRC.

The Overseas Listing Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events (the "**Material Events**") after the Overseas Offering and Listing. In the event of the occurrence of any of the following Material Events, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations, and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data.

REGULATORY OVERVIEW

In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.