

REGULATORY OVERVIEW

We are subject to PRC laws, regulations and regulatory documents that affect various aspects of our business. This section summarizes (i) a description of the principal PRC governmental authorities that have jurisdiction over our current business; and (ii) the principal PRC laws, regulations and regulatory documents that we believe are relevant to our business activities.

Major Regulatory Organizations

We are principally engaged in the research and development, production and sale of energy storage batteries, mainly lead-acid energy storage batteries and lithium-ion energy storage batteries, which are mainly used in the fields of telecommunications base station energy storage, data center energy storage and power storage. In addition to being subject to the supervision and management of the organizations that generally regulate companies in the PRC, our business activities in the PRC are mainly regulated by the National Development and Reform Commission of the People’s Republic of China (“**NDRC**”) and the Ministry of Industry and Information Technology (“**MIIT**”) and the National Energy Administration of the People’s Republic of China.

The NDRC provides macro guidance and regulation on the development of the industry, and is mainly responsible for formulating and organising the implementation of national economic and social development strategies, medium and long-term plans and annual plans, as well as proposing objectives and policies on national economic development, price level regulation and optimization of major economic structures.

The MIIT carries out industrial planning and supervision over the development of the industry, it is mainly responsible for formulating and implementing various industrial plans and regulations, promoting the development of major technology and equipment and independent innovation, promoting strategic adjustment and upgrading of industrial structure, formulating and organizing the implementation of technical norms and standards for the industry, as well as monitoring the daily operation of the industry.

The National Energy Administration (“**NEA**”) provides policy guidance and direction for the development of the industry, and is mainly responsible for formulating and organising the implementation of energy development strategies, plans and policies, promoting the reform of the energy system and formulating the relevant reform proposals, and co-ordinating major issues in energy development and reform.

REGULATORY OVERVIEW

Major Industrial Policies Relating to our Business Activities in the PRC

According to the “Standard Conditions for Lead Storage Battery Industry”(《鉛蓄電池行業規範條件》) promulgated by the MIIT on December 10, 2015 and effective from December 25, 2015, the lead-acid battery industry in China is regulated to promote the sustainable, healthy and coordinated development of the lead-acid battery and its lead-containing parts and components production industry in China and to regulate investment of the industry, among which, the production projects for the new types of lead storage battery such as coiled type, bipolar type, and lead-carbon batteries (super batteries), or the production projects using continuous type (expanded mesh, punched mesh, continuous casting and rolling, etc.) electrode plate manufacturing process, are not subject to the restriction of production capacity.

In order to smoothly implement the “Standard Conditions for Lead Storage Battery Industry”, the MIIT promulgated on December 10, 2015 and put into effect on December 25, 2015, the “Measures for the Administration of the Announcement of the Standard for Lead Storage Battery Industry”(《鉛蓄電池行業規範公告管理辦法》), which stipulates that the competent departments of industry and information technology at the provincial level are responsible for accepting the announcement applications submitted by lead-acid battery enterprises in their respective regions in accordance with the “Standard Conditions for Lead Storage Battery Industry” as well as the provisions of relevant laws, regulations and industrial policies, as well as conducting preliminary examination of the application materials submitted by the enterprises, and reporting the results of the preliminary examination to MIIT, which is responsible for the management of the lead-acid battery industry standardization announcement in the whole country.

According to the “14th Five-Year Plan” for the Development of the Information and Communications Industry (「十四五」《信息通信行業發展規劃》) promulgated and implemented by the MIIT on November 1, 2021, the world’s largest 5G independent network will be built during the “14th Five-Year Plan” period, and full coverage of cities and towns, basic coverage of administrative villages, and key application scenarios will be deeply achieved, and basic coverage of cities and villages by gigabit fiber optic network.

According to the “Standard Conditions for Lithium-Ion Battery Industry”(《鋰離子電池行業規範條件》) promulgated by the MIIT on June 18, 2024 and effective from June 20, 2024, lithium-ion battery enterprises and projects should comply with the requirements of the national laws and regulations on the exploitation and use of resources, ecological and environmental protection, energy conservation management, safe production, etc., and the requirements of the national industrial policy and relevant industrial planning and layout, as well as the requirements of the local national spatial and ecological environmental protection special planning.

REGULATORY OVERVIEW

In order to smoothly implement the “Standard Conditions for Lithium-Ion Battery Industry”, the “Administrative Measures for the Announcement of Standard Conditions for Lithium Ion Battery Industry (2024 Edition)” (《鋰離子電池行業規範公告管理辦法(2024年本)》) were promulgated by the MIIT on June 18, 2024 and effective from June 20, 2024, which stipulate that the competent departments of industry and information technology at the provincial level shall be responsible for the acceptance, verification and reporting of the announcement of the lithium-ion battery industry in the local region, and shall supervise and inspect the implementation of the standard conditions. The MIIT is responsible for the management of the national lithium-ion battery industry standard announcement, organising the review, sampling, publicity and announcement of the application materials reviewed and recommended by the provincial competent departments of the industry, as well as the dynamic management of the list of lithium-ion battery industry standard announcement.

According to the “Implementation Plan for the Development of New Energy Storage in the 14th Five-Year Plan” (《「十四五」新型儲能發展實施方案》) promulgated by the NDRC and the NEA and put into effect on January 29, 2022, the key tasks of new energy storage development in the 14th Five-Year Plan are deployed in the key areas of technological innovation, pilot demonstration, large-scale development, institutional mechanism, policy protection and international cooperation. It is planned that by 2025, the new type of energy storage will move from the early stage of commercialization to the stage of large-scale development, with conditions for large-scale commercial application, a basically complete standards system, an increasingly complete industrial system, and a basically mature market environment and business model. Among them, the performance of electrochemical energy storage technology will be further improved, and the system cost will be reduced by more than 30%; by 2030, the new energy storage will be fully marketed and developed.

On January 3, 2023, the MIIT, the Ministry of Education, the Ministry of Science and Technology, the People’s Bank of China, the China Bank Insurance Regulatory Commission (withdrawn), and the NEA promulgated and implemented the “Guiding Opinions on Promoting the Development of Energy Electronics Industry” (《關於推動能源電子產業發展的指導意見》), where the opinion urged to strengthen the new type of energy storage batteries industrialization technology research, and to promote the application of advanced energy storage technologies and products on a large scale. Research breakthroughs in ultra-long life and high security battery system, large-scale large-capacity high-efficiency energy storage, mobile energy storage for vehicles and other key technologies, accelerate the research and development of solid-state batteries, sodium-ion batteries, hydrogen storage/fuel cells and other new batteries.

According to the “Key Points of Energy Regulation in 2023” (《2023年能源監管工作要點》) promulgated and implemented by the NEA on January 4, 2023, it is required to further give full play to the function of the electricity market mechanism. The market will play a decisive role in resource allocation, effectively reflect the time and space value of electricity resources, continuously expand the scale of new energy participation in market-based trading, and continuously guide the participation of virtual power plants, new types of energy storage and other new types of entities in system regulation.

REGULATORY OVERVIEW

According to the “Work Plan for Stable Growth of Light Industry (2023-2024)” (《輕工業穩增長工作方案(2023-2024年)》) promulgated and implemented by the MIIT, the NDRC and the Ministry of Commerce (MOFCOM) on July 19, 2023, the plan accelerates the research and application of key technologies and materials in the fields of lead storage batteries, lithium-ion batteries, primary batteries, and other fields, focusing on the enhancement of energy density of batteries and the reduction of thermal runaway. High-security lithium-ion batteries, lead-carbon batteries, sodium-ion batteries and other products shall be vigorously developed, and their application in new energy vehicles, energy storage, telecommunications and other fields shall be expanded. A platform for industrial supply and demand co-operation will be built and the battery industry and the downstream industries, such as electric bicycles will be promoted to strengthen the connection of technology, products and services, and to promote the integration and development.

According to the “Guiding Catalogue for Industrial Structural Adjustment (2024 Edition)” (《產業結構調整指導目錄(2024年本)》) (“**Catalogue (2024 Edition)**”) promulgated by the NDRC on December 27, 2023 and effective from February 1, 2024, the Catalogue (2024 Edition) consists of three categories of encouraging, restricting and eliminating, among which lithium-ion batteries, sealed lead storage batteries with new structures (bipolar, lead-cloth, coiled, tubular, etc.), are listed as the encouraged category in the Catalogue (2024 Edition).

Laws and Regulations Relating to Foreign Investment

The Standing Committee of the National People’s Congress promulgated the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) on December 29, 1993, which came into effect on July 1, 1994, and the Company Law has been through the 1999 amendment, 2004 amendment, 2005 amendment, 2013 amendment, 2018 amendment and 2023 Amendments for a total of six amendments. The latest round of amendments to the law was passed on December 29, 2023 and implemented on July 1, 2024. The Company Law provides for the registration of companies, the establishment and organisation of limited liability companies, the transfer of equity of limited liability companies, the establishment and organisation of joint stock limited companies, the issuance and transfer of shares of joint stock limited companies, the special provisions on the organisation of state-funded companies, the qualifications and obligations of directors, supervisors and senior management of a company, corporate bonds, the company’s finance, accounting, mergers, divisions, capital increases, capital reductions, dissolution and liquidation of the company, branches of the foreign company, and legal liabilities. Unless otherwise provided by the law on foreign investment, the Company Law shall also apply to foreign-invested companies.

REGULATORY OVERVIEW

On March 15, 2019, the National People’s Congress (“NPC”) promulgated the “Foreign Investment Law of the People’s Republic of China”(《中華人民共和國外商投資法》), which came into force on January 1, 2020. On December 26, 2019, the State Council promulgated the “Implementation Rules of 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》), which came into force on January 1, 2020. The MOFCOM and the State Administration for Market Supervision (SAMS) issued the “Measures for the Reporting of Foreign Investment Information”(《外商投資信息報告辦法》) on December 30, 2019, which came into effect on January 1, 2020. Commencing from January 1, 2020, in the event a foreign investor conducts investment activities directly or indirectly within the PRC, the foreign investor or foreign-invested enterprise shall report investment information to the competent department of commerce in accordance with the laws and regulations on foreign investment.

According to the “Special Administrative Measures for Foreign Investment Entry (Negative List) (2024 Edition)”(《外商投資准入特別管理措施(負面清單)(2024年版)》) issued by the NDRC and the Ministry of Commerce on September 6, 2024 and effective from November 1, 2024, and the “Encouraging Foreign Investment Industries Catalogue (2022 Edition)”(《鼓勵外商投資產業目錄(2022年版)》) issued by the NDRC and the Ministry of Commerce on October 26, 2022 and effective from January 1, 2023, there are three types of foreign investment projects. Foreign investment projects can be classified into three categories: encouraged, restricted and prohibited.

Laws and Regulations Relating to Outbound Investment

On September 6, 2014, the Ministry of Commerce promulgated the “Administrative Measures for Outbound Investment”(《境外投資管理辦法》), which came into effect on October 6, 2014. According to the Administrative Measures for Outbound Investment, outbound investment refers to the act of an enterprise established by law within the territory of the PRC to own a non-financial enterprise or to acquire the ownership, control, operation and management rights and other interests in an existing non-financial enterprise through new establishment, merger and acquisition or other means. Outbound investment by enterprises involving sensitive countries and regions as well as sensitive industries shall be subject to approval and management. For enterprises in other cases of outbound investment, file management shall be implemented. Local enterprises shall report to the competent provincial departments of commerce for record. The Ministry of Commerce and the provincial competent department of commerce shall issue the “Certificate of Enterprise Outbound Investment”(《企業境外投資證書》) to the enterprises that have been filed or approved.

REGULATORY OVERVIEW

On December 26, 2017, the NDRC promulgated the “Administrative Measures for Outbound Investment of Enterprises” (《企業境外投資管理辦法》), which came into effect on March 1, 2018. According to the Administrative Measures for Outbound Investment of Enterprises, outbound investment refers to investment activities in which a domestic enterprise in the PRC, directly or through a foreign enterprise it controls, obtains ownership, control, operation and management rights and other relevant interests in a foreign country by way of investment of assets, interests or provision of financing and guarantee. When an investment entity launches an outbound investment, it should fulfil the procedures for approval and filing of outbound investment projects, report relevant information and cooperate with supervision and inspection. The NDRC promulgated the “Catalogue of Sensitive Industries for Outbound Investment (2018 Edition)” (《境外投資敏感行業目錄(2018年版)》) on January 31, 2018, which came into effect on March 1, 2018, detailing the catalogue of sensitive industries.

Laws and Regulations Relating to Environmental Protection

According to the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the NPC on December 26, 1989 and last amended on April 24, 2014, production operators shall prevent and reduce environmental pollution and ecological damage, and shall bear the responsibility for the damage caused in accordance with the law. According to the “Environmental Protection Law” and the “Regulation on Administration of Discharge Permits” (《排污許可管理條例》) issued by the State Council on January 24, 2021 and effective from March 1, 2021, enterprises, institutions and other production operators implementing the administration of discharge permits shall discharge pollutants in accordance with the requirements of the discharge permits; and shall not discharge pollutants without obtaining the discharge permits. The competent authorities in charge of environmental protection impose different administrative penalties on individuals or enterprises in violation of the Environmental Protection Law.

According to the “Environmental Impact Assessment Law of the People’s Republic of China” (《中華人民共和國環境影響評價法》), which came into effect on September 1, 2003 and was amended on July 2, 2016 and December 29, 2018 respectively, and the Regulations on Environmental Protection Management of Construction Projects, which came into effect on November 29, 1998 and was amended on July 16, 2017, in the event the implementation of a construction project is likely to affect the environment, the construction unit shall submit an environmental impact report (form) or environmental impact application form to the environmental protection department concerned. For construction projects that are required by law to prepare an environmental impact report (form), the environmental impact assessment document of the construction project should be approved by the administrative department in charge of environmental protection, otherwise the construction shall not commence. Upon completion of the construction project, the construction unit shall, in accordance with the standards and procedures stipulated by the administrative department in charge of environmental protection, carry out acceptance of the ancillary environmental protection facilities and prepare an acceptance report.

REGULATORY OVERVIEW

Laws and Regulations on Work Safety

According to the “Safety Production Law of the People’s Republic of China”(《中華人民共和國安全生產法》), which came into effect on November 1, 2002 and was last amended on June 10, 2021 and came into effect on September 1, 2021, production and operation units must strengthen the management of production safety, establish and improve the system of responsibility for safety, and ensure a safe production environment. China establishes and implements a system of accountability for production safety accidents. If a production and operation unit fail to comply with the provisions of the Safety Production Law of the People’s Republic of China, the safety and production supervision and management department may order rectification, impose a fine, or order it to suspend production and business for rectification, or revoke the relevant license.

Some of the chemical raw materials required for the production of the Company’s products, such as anhydrous ethanol and sulphuric acid, are dangerous chemicals. According to the “Regulations on the Safety Management of Hazardous Chemicals”(《危險化學品安全管理條例》)(which came into effect on March 15, 2002 and was amended on March 2, 2011 and December 7, 2013 respectively), the production, storage, use, operation and transportation of dangerous chemicals shall comply with the safety management regulations. Dangerous chemical units should have the safety conditions required by laws, administrative regulations, national standards and industrial standards, establish and improve safety management rules and regulations and post safety responsibility systems, and provide safety education, legal education and post technical training for employees.

Laws and Regulations Relating to Product Quality

According to the “Civil Code of the People’s Republic of China”(《中華人民共和國民法典》), which came into effect on January 1, 2021, Chapter IV – Product Liability of “Part VII – Tort Liability” stipulates that if a defective product causes damage to another person, the producer of the product shall be liable for the infringement. Including: “If the defective products cause damage to others, the infringed person may claim compensation from the producer of the products, or from the seller of the products”; “If the defective products are caused by the producer, the seller shall have the right to recover the damages from the producer after the compensation is made.”

According to the “Product Quality Law of the People’s Republic of China”(《中華人民共和國產品質量法》), which came into effect on September 1, 1993 and was last amended on December 29, 2018, the production and sale of products within the territory of the People’s Republic of China must comply with the Law. Producers and sellers shall establish a sound internal quality management system, strictly implement the post quality standards, quality responsibility and corresponding assessment methods, and bear the responsibility for the quality of products in accordance with the provisions of the Law.

REGULATORY OVERVIEW

Laws and Regulations Relating to Import and Export of Goods

According to the “Administrative Provisions of the Customs of the People’s Republic of China on Record-filing of Customs Declaration Entities”(《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021, which came into effect on January 1, 2022, the consignees and consignors of imported and exported goods and the declaration enterprises applying for the filing of declaration entities shall obtain the qualification of market entities; among them, the consignees and consignors of imported and exported goods applying for the filing of declaration entities shall also obtain the filing of declaration units of operators of foreign trade. If the consignee or consignor of imported or exported goods or the declaration enterprise has already applied for the filing of declaration entities, its branch organizations meeting the conditions in the preceding paragraph may also apply for the filing of declaration entities.

Laws and Regulations Relating to Employment

According to the “Labour Contract Law of the People’s Republic of China”(《中華人民共和國勞動合同法》), which came into effect on January 1, 2008 and was last amended on December 28, 2012 and came into effect on July 1, 2013, and the “Implementation Regulations of the Labour Contract Law of the People’s Republic of China”(《中華人民共和國勞動合同法實施條例》), which came into effect on September 18, 2008, the establishment of labour relationship between employers and workers, as well as the conclusion, performance, termination and variation of labour contracts, etc., are stipulated in the regulations accordingly. When a labour relationship is established, a written labour contract shall be concluded. If a labour relationship has been established but a written labour contract has not been concluded at the same time, the employer shall conclude a written labour contract within one month from the date of employment.

According to the “Social Insurance Law of the People’s Republic of China”(《中華人民共和國社會保險法》) which came into effect on July 1, 2011 and was amended on December 29, 2018, the “Provisional Regulations on the Collection of Social Insurance Premiums”(《社會保險費徵繳暫行條例》) which came into effect on January 22, 1999 and was amended on March 24, 2019, the “Provisional Measures for Maternity Insurance of Employees of Corporations”(《企業職工生育保險試行辦法》) which came into effect on January 1, 1995, the “Regulation of Insurance for Labour Injury”(《工傷保險條例》) which came into effect on January 1, 2004 and was amended on December 20, 2010, and the “Regulations on the Administration of Housing Provident Fund”(《住房公積金管理條例》) which came into effect on April 3, 1999 and was amended on March 24, 2002 and March 24, 2019 respectively. Employers are required to pay basic old-age insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for their employees. Employers that do not apply for the relevant procedures or do not pay in full on time, relevant administrative departments shall order to make corrections or make supplemental payments. Employers who fail to make corrections within the prescribed period for social insurance registration, the employer will be fined. Employers who fail to pay the social insurance premiums within the prescribed

REGULATORY OVERVIEW

period, the relevant administrative department shall impose a fine. Employers who fail to register for the housing provident fund or who fail to apply for the establishment of housing provident fund accounts for their employees, shall be fined. Employers who fail to pay the housing provident fund after the deadline, may be subject to the People’s Court compulsory execution.

Laws and Regulations Relating to Intellectual Property Rights

Copyright and Software Registration

The Standing Committee of the NPC promulgated the “Copyright Law of the People’s Republic of China”(《中華人民共和國著作權法》) in 1990, which was amended in 2001, 2010 and 2020. The Copyright Law of the People’s Republic of China provides that Chinese citizens, legal persons or unincorporated organizations shall enjoy copyright in their works (including computer software) in accordance with this Law, regardless of whether they are published or not. The Copyright Law of the People’s Republic of China aims to encourage the creation and dissemination of works that are beneficial to the construction of socialist spiritual civilization and material civilization, and to promote the development and prosperity of socialist culture and science.

The “Regulations on the Protection of Computer Software”(《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and amended in 2001, 2011 and 2013 respectively, aims to protect the rights and interests of the copyright owners of computer software, regulate the interests in the development, dissemination and use of computer software, encourage the development and application of computer software, and promote the development of the software industry and the informatization of the national economy. According to the Regulations on the Protection of Computer Software, Chinese citizens, legal persons or other organizations shall enjoy the copyright of the software developed by them, regardless of whether it is published or not, in accordance with this Ordinance. Software copyright holders may apply for registration with the software registration organizations recognised by the copyright administration department of the State Council. The certificate of registration issued by the software registration organisation is the preliminary proof of registration.

The “Measures for the Registration of Computer Software Copyrights”(《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration (NCA) on February 20, 2002, which came into effect on the same day, provide for the registration of software copyrights and the registration of software copyright licensing contracts and transfer contracts. The NCA, as the competent authority in charge of the administration of software copyright registration in China, recognises the China Copyright Protection Centre as the software registration authority. China Copyright Protection Centre issues registration certificates to the computer software applicants for computer software in line with the “Measures for the Registration of Computer Software Copyrights” and “Regulations on the Protection of Computer Software.”

REGULATORY OVERVIEW

Trademark

Trademarks are protected by the “Trademark Law of the People’s Republic of China”(《中華人民共和國商標法》) a promulgated on August 23, 1982 and last amended on April 23, 2019, and the Regulations for the Implementation of the “Trademark Law of the People’s Republic of China”(《中華人民共和國商標法實施條例》) promulgated on August 3, 2002 and amended on April 29, 2014 by the State Council. The Trademark Office handles the registration of trademarks and grants the registered trademarks for a period of ten years, which may be renewed for another ten years upon application by the trademark owner. Trademark licence agreements must be filed with the Trademark Office. The Trademark Law of the People’s Republic of China adopts the “first-to-file” principle for trademark registration. For the same or similar goods or services, if the trademark applied for registration is identical or similar to another trademark that has been registered or preliminarily approved for use, the application for trademark registration may be rejected. Anyone who applies for trademark registration shall not infringe upon the existing prior rights of others, nor shall he or she use improper means to preempt the registration of a trademark that has already been used by others and has a certain degree of influence.

Patents

The “Patent Law of the People’s Republic of China”(《中華人民共和國專利法》) was promulgated by the Standing Committee of the NPC on March 12, 1984 and last amended on October 17, 2020. Inventions, utility models and designs for which patents are granted shall fulfil the three conditions of novelty, creativity and utility. Patents are not granted for scientific discoveries, rules and methods of intellectual activity, methods of diagnosis and treatment of diseases, species of animals and plants, or substances obtained by nuclear transformation. The Patent Office of the State Intellectual Property Office receives, examines and approves patent applications. The term of a patent for an invention is 20 years, the term of a patent for a utility model is 10 years, and the term of a patent for a design is 15 years, counting from the date of application. Unless otherwise provided by law, third party users must obtain the permission of the patent owner or an appropriate licence to use the patent, otherwise it will constitute an infringement of the patent holder’s rights.

Domain Name

According to the “Administrative Measures for Internet Domain Names”(《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, domain name registration services are in principle subject to the principle of “first application, first registration.” Domain names registered and used by any organisation or individual shall not contain any content prohibited by laws and administrative regulations. Applicants for domain name registration shall provide domain name registration information such as true, accurate and complete identity information of the domain name holder to the domain name registration service provider.

REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign Exchange

According to the “Administrative Regulations of the People’s Republic of China on Foreign Exchange”(《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008, as well as various regulations promulgated by the State Administration of Foreign Exchange (“SAFE”) and other PRC regulatory authorities, foreign currencies can be converted or paid into or out of two different kinds of accounts, namely, the current account and the capital account. For payment of current account items (including foreign exchange transactions relating to goods, trade and services and other current payments), RMB can be converted into foreign currency without the approval of the SAFE, subject to certain procedural requirements, including the production of relevant supporting documents for the transactions. The conversion of RMB into foreign currencies and the remittance of foreign currencies out of the PRC for capital account items (such as direct equity investments, loans and recovered investments) must be approved by or registered with the SAFE or its local authorities in advance.

According to the “Circular of SAFE on Further Improving and Revising the Foreign Exchange Control Policy on 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》) issued by the SAFE on November 19, 2012 and last amended on December 30, 2019, the opening of multiple special purpose foreign exchange accounts does not require the approval of SAFE. In addition, the same entity may open multiple capital accounts in different provinces. Reinvestment of legitimate income of foreign investors in the PRC is no longer required to be approved or verified by the SAFE, and foreign exchange purchases and remittances resulting from capital reduction, liquidation, prior recovery of investment or transfer of shares of a foreign-invested enterprise are no longer required to be approved by the SAFE.

According to the “Circular on Further Simplifying and Improving the Policies for Foreign Exchange Administration for 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》) issued by the SAFE on February 13, 2015 and last revised on December 30, 2019, the foreign exchange registration of inward direct investment and outward direct investment will be reviewed and processed by the banks directly, and the SAFE and its branches should indirectly supervise the foreign exchange registration through the banks.

REGULATORY OVERVIEW

Laws and Regulations Relating to Taxation

Enterprise Income Tax (“EIT”)

Pursuant to the “Enterprise Income Tax Law of the PRC”(《中華人民共和國企業所得稅法》) promulgated by the NPC on March 16, 2007, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018 respectively, and the “Implementing Rules of the Enterprise Income Law of the PRC (2024 Revision)”(《中華人民共和國企業所得稅法實施條例》(2024修訂)), formulated by the State Council on December 6, 2024, which came into effect on January 20, 2025, resident enterprises shall be subject to EIT at a rate of 25% on their income derived from sources within or outside the territory of the PRC. Foreign-invested enterprises in the PRC that are classified as resident enterprises shall be subject to an EIT rate of 25% on their income derived from sources within or outside the PRC. High-tech enterprises supported by the State shall be subject to a reduced EIT rate of 15%. A non-resident enterprise which has not set up any organisation or establishment in the PRC, or which has set up any organisation or establishment but the income derived from it has no actual connection with the organisation or establishment, shall pay enterprise income tax at a rate of 10% on its income derived from within the PRC.

Value-Added Tax (“VAT”)

According to the “Provisional Regulations on Value-added Tax of the PRC”(《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and 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 25, 1993 and amended on December 15, 2008 and October 28, 2011, unless otherwise specified, all enterprises and individuals selling products, providing processing, repair and assembly labour, selling services, intangible assets, immovable assets and importing goods within the territory of the People’s Republic of China are subject to a value-added tax at a rate of 17%.

Pursuant to the “Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner”(《關於全面推開營業稅改徵增值稅試點的通知》), which was issued on March 23, 2016 and came into effect on May 1, 2016, with the approval of the State Council, the trial point for the conversion of business tax into VAT has been comprehensively launched on a nationwide basis with effect from May 1, 2016 onwards.

REGULATORY OVERVIEW

The “Circular of on Adjusting Value-added Tax Rates”(《關於調整增值稅稅率的通知》) issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective from May 1, 2018 adjusted the applicable tax rate for VAT, with the original 17% and 11% tax rates being adjusted to 16% and 10% respectively for taxpayers engaging in VAT-taxable sales activities or importing goods.

According to the “Announcement on Relevant Policies for Deepening Value-Added Tax Reform”(《關於深化增值稅改革有關政策的公告》), which was issued on March 20, 2019 and became effective on April 1, 2019, when a general VAT taxpayer engages in VAT taxable sales or imports goods, the VAT rate previously applicable to 16% is adjusted to 13%; and the VAT rate previously applicable to 10% is adjusted to 9%.

Laws and Regulations Relating to Overseas Issuance/Listing of Securities

According to the “Trial Measures for Administration of Overseas Issuance of Securities and Listing of Domestic Enterprises”(《境內企業境外發行證券和上市管理試行辦法》)(hereinafter referred to as the “Trial Measures”) promulgated by the CSRC on February 17, 2023, which came into effect on March 31, 2023, and the guidelines for the application of the five regulatory rules, direct overseas issuance and listing of a domestic enterprise refers to the overseas issuance and listing of a company limited by shares and registered and established in the PRC. Domestic enterprises conducting overseas issuance and listings should file with the CSRC in accordance with the Trial Measures, and submit filing reports, legal opinions and other relevant materials, as well as truthful, accurate and complete information of shareholders. Overseas issuance and listing activities of domestic enterprises shall comply with the laws, administrative regulations and relevant state regulations on foreign investment, state-owned assets management, industry supervision and outbound investment, and shall not disrupt the order of the domestic market, nor jeopardise the interests of the state, the public interest of the society and the legitimate rights and interests of the domestic investors. In the case of an overseas initial public issuance or listing of a domestic enterprise, a record shall be filed with the CSRC within three working days after the submission of the overseas application for listing. The Trial Measures stipulate the circumstances under which overseas issuance and listing shall not be permitted, including (1) where the listing and financing are expressly prohibited by laws, administrative regulations or relevant state regulations; (2) where the relevant competent department of the State Council has determined, in accordance with the law, that the overseas issuance and listing may jeopardise national security; (3) where a domestic enterprise, or its controlling shareholders, or the de facto controller of an enterprise, has been involved in corruption, bribery, embezzlement of property or misappropriation of property, or criminal offences against the socialist market economic order; (4) the domestic enterprise is being investigated by the law for suspected crimes or major violations of laws and regulations, and there is no clear conclusion yet; (5) there are major ownership disputes in the shareholdings held by controlling shareholders or shareholders dominated by controlling shareholders or de facto controllers.