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### REGULATIONS ON FOREIGN INVESTMENT IN RESTAURANT INDUSTRY

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (《外商投資准入特別管理措施（負面清單）（2020年版）》), the “**Negative List**”) promulgated on June 23, 2020 and came into effect on July 23, 2020, the restaurant industry falls into the industries where foreign investment is not prohibited or restricted.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the “**Foreign Investment Law**”) was promulgated by the National People’s Congress (the “**NPC**”) of the PRC on March 15, 2019, which came into force as of January 1, 2020. Under the Foreign Investment Law, China adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration. Foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the Negative List.

### LAW AND REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENT FOR CATERING SERVICES

#### The Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), the “**Food Safety Law**”), which was promulgated on February 28, 2009 and was amended on April 24, 2015 and December 29, 2018, food producers and food business operators shall be responsible for the safety of food produced or traded and must produce and trade food in accordance with relevant laws, regulations and food safety standards. Food producers and food business operators shall ensure food safety, act in good faith and be self-disciplined, be accountable to society and the public, accept public supervision, and assume their social responsibilities.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), the “**Implementation Rules**”) was promulgated on July 20, 2009 and came into effect on the same date, and was amended on February 6, 2016 and March 26, 2019. The Implementation Rules further specifies the detailed measures to be taken and conformed to by food producers, food business operators and catering service providers in order to ensure food safety. It introduced extra regulatory measures such as conducting random supervisory checks, improving food safety violation reporting reward system, and establishing a joint disciplinary mechanism supported by blacklisting of material violations of food safety laws. Under the Implementation Rules, food producers and food business operators shall take primary responsibilities for food safety. The Implementation Rules also sets out the responsibilities of principals of enterprises, standardizes food storage and transportation requirements, forbids false advertising of food products, and optimizes the administrative system for special food. The Implementation Rules also stipulates stringent legal liabilities for violating food safety-related laws and regulations.

In accordance with the Food Safety Law and the Implementation Rules, with the purpose of guaranteeing food safety and safeguarding the health and safety of the public, China has set up monitoring, assessment and control system on food safety risks, adopted compulsory food safety standards, and enacted management measures for food production and trade, food inspection, food export and import and food safety accident response. Food producers and business operators must comply with the aforementioned law and rules.

As penalties for violation, the Food Safety Law sets out various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils,

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equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destruction of unqualified food, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

### **Food Business Licensing System**

Pursuant to the Food Safety Law, the State implements a licensing system for food production and trading. A person who engages in food production, food selling or catering services must obtain a license in accordance with the law.

On August 31, 2015, China Food and Drug Administration (now merged into the State Administration for Market Regulation) promulgated the Administrative Measures for Food Business Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the Administrative Measures for Food Business Licensing, a food business license must be obtained in accordance with the law to engage in food selling and catering services within PRC. The principle of “one license for one site” shall apply. That is, food business operators shall obtain separate food business licenses for each operation site. Food and drug administrative authorities shall implement classified licensing for food business according to the type of food business operators and the degree of risk of their operating items.

The Food Safety Law sets out that any restaurant which does not have a food service license may be subject to confiscation of gains and other restaurant assets. If the value of the food in such illegal production or trading is less than RMB10,000, a fine of not less than RMB50,000 but not more than RMB100,000 shall also be imposed. If the value of the food in such illegal production or trading is RMB10,000 or more, a fine of not less than ten times but not more than 20 times the value shall also be imposed.

### **Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services**

Pursuant to Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》) effective on January 1, 2018, online catering service providers must have their own physical stores and must have obtained food business licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food business licenses, and must not do business beyond their business scope. A catering service provider that runs its own website shall register with the local food and drug administration authorities within 30 working days upon register with the competent authority of communications.

### **Food Recall System**

China Food and Drug Administration (now merged into the State Administration for Market Regulation) has promulgated the Administrative Measures for Food Recall (《食品召回管理辦法》), effective on September 1, 2015). According to the Administrative Measures for Food Recall, where food business operators find that the food under selling is unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Food producers knowing that any food produced or traded is unsafe must proactively recall such food. Food producers and food business operators must faithfully record the name, trademark, specification, production date, batch number, quantity and other information of such unsafe food. Records must be kept for at least two years. Where food business operators violate the

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Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or proactively recall unsafe food, the food and drug administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000.

### **LAWS AND REGULATIONS ON FOOD ADVERTISEMENT**

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), the “**Advertising Law**”) promulgated by the Standing Committee of the National People’s Congress (“SCNPC”) on October 27, 1994 and most recently revised on October 26, 2018, advertisement shall not contain any false or misleading information, and shall not deceive or mislead consumers. Each advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit. Where an advertising agent or advertisement publisher designs, produces, provides agency for or publishes an advertisement even though it knows or should know the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000.

### **REGULATIONS ON LIQUOR CIRCULATION**

In accordance with Measures for the Administration of Liquor Circulation (《酒類流通管理辦法》) effective on January 1, 2006, which were issued by the MOFCOM, a system for archival filing of operators as well as a traceability system had to be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as “liquor operator”) had to, within 60 days of acquiring a business license, complete any archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration was handled according to the principle of territorial administration. The liquor operator shall establish an account for purchase and sales in the liquor business operation which he or she shall keep for 3 years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the aforementioned rules. However, it was abolished by MOFCOM on November 13, 2016.

The Guidance of MOFCOM on promoting healthy development of liquor circulation in the 13th Five-Year” period (《商務部關於“十三五”時期促進酒類流通健康發展的指導意見》), which was promulgated by MOFCOM on February 13, 2017, stipulates the elimination of the regional blockade of alcohol, the clean-up and abolition of any relevant regulations and practices that hinder the free circulation of alcohol, and the promotion of the establishment of a large market and a large circulation of alcohol.

### **REGULATIONS ON COMMERCIAL FRANCHISES**

The Regulations on Administration of Commercial Franchises (《商業特許經營管理條例》), which were promulgated on February 6, 2007 and implemented on May 1, 2007, aims to regulate commercial franchise activities by specifying the main contents of commercial franchise contracts and the obligations of franchisors regarding filings with the commerce administrative authorities and information disclosure. Franchisors participating regarding franchising activities must have a fully-developed business model and the ability to provide

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operational guidance, technical support, and service training to the franchisee on a continuous basis. Franchisors must have, as a minimum, two directly-managed outlets and one year of business operation. Pursuant to the Administrative Measures for the Filing of Commercial Franchises (《商業特許經營備案管理辦法》), which was amended on December 12, 2011 and implemented on February 1, 2012, MOFCOM and the commerce administrative authorities at the level of provinces, autonomous regions and municipal cities directly under the State Council are the competent authorities for filing commercial franchise. Commercial franchises are filed on a national network basis. Franchisors complying with the provisions of the Administrative Measures for the Filing of Commercial Franchises must proceed with filing through the commercial franchise information management system established by the MOFCOM in accordance with the measures. The Administrative Measures for Information Disclosure of Commercial Franchises (《商業特許經營信息披露管理辦法》), which were amended on February 23, 2012 and implemented on April 1, 2012, further clarify the scope of information disclosure by franchisors.

### CYBER SECURITY LAW

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》, the “**Cyber Security Law**”) was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017. The Law applies to network construction, operation, maintenance and use of the network as well as to the supervision and administration of cyber security within PRC territory.

According to the Cyber Security Law, network operators, while carrying out business and service activities, must abide by laws and administrative regulations, show respect for social moralities, follow business ethics, act in good faith, comply with cyber security protection obligations, accept supervision by the government and society and comply with their social responsibilities. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws, administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Network operators must keep users’ personal information that they have collected strictly confidential, and establish and improve their system for the protection of users’ information. To collect and use personal information, network operators must follow the principles of legitimacy, integrity and necessity, disclose their rules of data collection and use, clearly express the purpose, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered. Network operators must adopt technical and other necessary measures to ensure the security of the personal information they have collected and to prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take immediate remedial measures and inform users promptly and report the same to the relevant competent departments.

### REGULATIONS ON E-COMMERCE ACTIVITIES

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》, the “**E-Commerce Law**”), which became effective on January 1, 2019. Business activities conducted online to sell commodities or offer services shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators are natural persons, legal persons and unincorporated organizations that engage in the business

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activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators, and other e-commerce operators that sell commodities or offer services through a self-built website or other network services.

E-commerce operators must fulfill market entity registration (unless no such registration is required by law and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which it is required by law to obtain.

### LAWS AND REGULATIONS ON SINGLE-PURPOSE COMMERCIAL PRE-PAID CARDS

The Administrative Measures for Single-purpose Commercial Pre-paid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法（試行）》), the “**Administrative Measures for Single-purpose Commercial Pre-paid Cards**”) were promulgated by the Ministry of Commerce on September 21, 2012 and amended on August 18, 2016. Single-purpose commercial pre-paid cards refer to pre-paid certificates which are issued by an enterprise engaged in retail, accommodation, catering, and residential services and which are exclusively used to pay for goods or services within the group to which the enterprise belongs to or within the franchise system of one brand. This includes physical cards in the form of magnetic stripe cards, chip cards paper coupons and virtual cards in the form of passwords string codes, graphics and biometric information, among others. According to the Administrative Measures for Single-purpose Commercial Pre-paid Cards, a card-issuing enterprise must undergo the record-filing procedure, within 30 days of starting to offer single-purpose card services. If any card-issuing enterprise is in violation of the provisions of the Administrative Measures for Single-purpose Commercial Pre-paid Cards, the competent commerce department of the people’s government above the county-level in the locality where such violation occurs shall order it to rectify the violation. Where the enterprise fails to do so within the said time limit, the enterprise shall be subject to a fine of more than RMB10,000 and less than RMB30,000.

### REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》), the “**Fire Prevention Law**”) promulgated by the NPC on April 29, 1998 and amended on October 28, 2008 and April 23, 2019, and the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, for any construction project which must be designed to prevent fires under national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes. Upon completion of such construction project, the construction unit must apply for fire protection approval or conduct fire protection filing for fire protection design and completion approval, as the case may be. According to the Fire Prevention Law, with respect to the construction projects that are required by the competent department of housing and urban-rural development under the State Council to apply for fire protection approval checks, the construction unit must apply to the competent department of housing and urban-rural development under the State Council for fire protection approval checks. With respect to other construction projects apart from those mentioned above, the construction unit must, after an approval check, report its results to the competent department of housing and urban-rural development for the record, and such department shall conduct a random inspection thereof.

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Furthermore, before the use of or commencement of the business operations in public gathering places, any construction entities or entities using such places must apply for a fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level. Putting a public gathering place into use or into business operation without permission and when the place has not undergone fire safety and protection inspections or has failed to meet fire safety and protection requirements shall result in an order to suspend construction, use, production or business operations and a fine of not less than RMB30,000 and not more than RMB300,000 from the competent departments of housing and urban-rural development and the relevant fire rescue agencies (according to their respective duties).

The Opinion on the Deepening the Reform of Fire Control Law Enforcement (《關於深化消防執法改革的意見》) promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, provides for the simplification of the fire protection inspections of public gathering places before their use and operation, and management in the forms of a notification and a commitment to safety standards. Fire protection authorities shall formulate the standards for fire safety in public gathering places and disclose such standards to the public, making available the text in the form of the letter of notification and commitment. A public gathering place shall, after obtaining the business license or being qualified for use and operation under the law, commence use or operation by making a commitment to the fire authorities that it has reached the standards for fire protection safety through an application face-to-face or via the online governmental affairs service platform. In practice, the relevant authority at its locality may formulate and implement relevant fire protection policies or implementation rules according to local conditions.

### LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the “**Environmental Protection Law**” was promulgated and effective on December 26, 1989, and amended on April 24, 2014.

According to the provisions of the Environmental Protection Law, installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

The Environmental Protection Law makes it clear that the liabilities for any violation of said law include warning, fine, rectification within a time limit, compulsory ceasing of operations, compulsory reinstallation of installations for the prevention and control of pollution or that have been or left idle, compulsory shutout or closedown, or even criminal punishment.

According to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was promulgated on October 28, 2012 and amended on July 2, 2016 and December 29, 2018 respectively, Chinese authorities implement classified management of the environmental impact assessment of construction projects according to the degree of environmental impact of construction projects. The environmental impact report or environment impact statement of a construction project shall be submitted by the project constructor to the competent ecological environment authority for approval in accordance with the provisions of the State Council. Chinese authorities implement record-filing management on environmental impact registration forms.



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### LAWS AND REGULATIONS ON LABOR

#### Labor Contract Law

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the “**Labor Contract Law**”), which was implemented on January 1, 2008 and amended on December 28, 2012, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and any laborers. The employers must pay laborers compensation for working overtime in accordance with national regulations. Labor wages must not be lower than local minimum wage standards and must be paid to the laborers in a timely manner. According to the Labor Law of the PRC (《中華人民共和國勞動法》) effective as of January 1, 1995, as amended on August 27, 2009 and December 29, 2018, enterprises and institutions must establish and perfect their system of work place safety and sanitation, strictly abide by state rules and standards and educate laborers regarding the same. Work place safety and sanitation facilities must comply with state-fixed standards.

#### Regulations on Social Insurance and Housing Fund

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

### LAWS ON INTELLECTUAL PROPERTY RIGHTS

#### Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted in 2002 and amended in 2014 by the State Council. The Trademark Office under National Intellectual Property Administration (the “NIPA”) handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use the registered trademark. The licensor shall supervise the quality of the goods for which the licensee uses the licensor’s registered trademark, and the licensee shall guarantee the quality of the goods for which the registered trademark is used. The party authorized to use another’s registered trademark must indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others use of the registered trademarks, the licensor shall file the license of the trademarks with the Trademark Office for their records, and the Office shall announce the same. Without putting the licensing of the trademark license on record, the trademark may not be used to defend a bona fide third party.

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### Domain Names

The Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), the “**Domain Name Measures**”) was promulgated by the China Internet Network Information Center on August 24, 2017 and came into effect on November 1, 2017. The Implementation Rules for National Top-level Domain Name Registration (《國家頂級域名註冊實施細則》), the “**Implementation Rules for Registration**”) was promulgated on June 18, 2019 by the Ministry of Industry and Information Technology and came into effect on the same date. The Domain Name Measures regulate the registration of domain names. Application for registration of national top-level domain names “.CN” and “.China” and provision of domain name registration related services shall further comply with the Implementation Rules for Registration.

### The Copyright

China has enacted various laws and regulations relating to copyright protection. The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on September 7, 1990, amended on February 26, 2010 and became effective from April 1, 2010 by the SCNPC, provides that PRC citizens, legal persons, or other organizations, 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 term “copyright” includes moral rights and economic rights and anyone who commits copyright infringement is subject to civil liability.

The Regulations on Computer Software Protection (《計算機軟件保護條例》), which was promulgated on June 4, 1991, amended on January 30, 2013 and became effective on March 1, 2013 by the State Council, stipulates that Chinese residents, legal entities or other organizations enjoy copyright in any software which they have developed, whether published or not and a software copyright owner may register it with the software registration institution recognized by the copyright administration department of the State Council. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 with immediate effect, regulates registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (“CPCC”) is the designated software registration authority. The CPCC grants registration certificates to computer software copyright applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computer Software Copyright.

China is also a signatory to some major international conventions on the protection of copyright. For example, China 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 in December 2001. According to these conventions, a qualified foreign copyright owner may enjoy certain copyright in China and a copyright owner in China may also acquire specific foreign copyright protection.

### REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), as amended in August 2008, the RMB is freely convertible for current account items, including for the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC,



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unless prior approval of the State Administration of Foreign Exchange (“SAFE”) is obtained and prior registration with SAFE is made.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (“Circular 19”, 《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》) promulgated on March 30, 2015, effective on June 1, 2015, and amended on December 30, 2019, and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (“Circular 16”, 《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》) promulgated and effective on June 9, 2016, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution.

The Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《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》, the “**Circular 28**”) was promulgated and became effective on October 23, 2019. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and relevant regulations.

### LAWS AND REGULATIONS ON EMPLOYEE INCENTIVE PLANS

In February 2012, the SAFE promulgated the Circular on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《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》, “**Circular No.7**”). According to Circular No.7 and other relevant provisions and rules, Chinese residents participating in the equity incentive plans of overseas listed companies must file a registration and carry out other certain procedures with the SAFE or its local institutions. Chinese residents participating in equity incentive plans must employ a qualified Chinese agent, which may be the Chinese affiliated company of such overseas listed company or any other qualified domestic organization appointed by such affiliate, to file the registration and carry out other procedures related to equity incentive plans on their behalf.

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The participants must employ an overseas entrusted organization to deal with the execution of share options, transactions relating to shares or rights, fund transfers, etc. In addition, if any material changes are made to the equity incentive plan, Chinese agent or overseas entrusted organization, the Chinese agent shall file the change registration concerning the equity incentive plan. The Chinese agent shall, on behalf of the Chinese resident who has the right to exercise the employee's share options, apply to the SAFE or its local branch for the amount of annual foreign exchange payment in respect of the foreign currency payment related to the exercise of the employee's share options by the Chinese resident. The foreign exchange income received by the Chinese resident from the sale of shares under the equity incentive plan and the dividends received from overseas listed companies shall be remitted to the bank account opened in China by the Chinese agent before distribution to such Chinese residents.

### TAXES

#### Corporate Income Tax

Pursuant to the EIT Law, which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and further amended on April 23, 2019, the income tax rate for both domestic and foreign-invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with their actual administration institution in the PRC, must pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

#### VAT

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay VAT. Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) promulgated on March 23, 2016 and as amended on July 11, 2017 and December 25, 2017 respectively, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of VAT instead of business tax.

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## REGULATION

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Pursuant to the Provisional Regulations on Value-added Tax of the PRC, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, and the Announcement on Relevant Policies for Deepening Value-Added Tax Reform 《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》 promulgated by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales of a VAT general taxpayer, the applicable VAT rates are 13%, 9% and 6% respectively.