This section sets forth a summary of the most significant rules and regulations that may affect our business activities.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS

Regulations on Foreign Investment Restrictions

Investment in the PRC by foreign investors was regulated by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) amended by National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce of the PRC (the "**MOFCOM**") on June 28, 2017 and taking into effect on July 28, 2017 (the "**2017 Catalog**"). On June 28, 2018, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施（負面清單）》) (the "**2018 Foreign Investment Negative List**"), which became effective on July 28, 2018 and replaced the Special Administrative Measures for Foreign Investment Access (foreign investment access negative list) in the 2017 Catalog. On June 30, 2019, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (the "**2019 Foreign Investment Negative List**"), which became effective on July 30, 2019 and replaced the 2018 Foreign Investment Negative List. On June 23, 2020, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施（負面清單）（2020年版）》) (the "**Negative List**"), which became effective on July 23, 2020 and replaced the 2019 Foreign Investment Negative List. The list of encouraged industries under the 2017 Catalog was replaced by the Catalog of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) (the "**2019 Catalog**"), which was promulgated by the MOFCOM and the NDRC jointly on June 30, 2019 and became effective on July 30, 2019. The 2019 Catalog was replaced by the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄（2020年版）》) (the "**2020 Catalog**"), which was promulgated by the MOFCOM and the NDRC jointly on December 27, 2020 and became effective on January 27, 2021. As a result, the 2017 Catalog has been replaced by the Negative List and the 2020 Catalog. The industries which are not listed in the 2020 Catalog or the Negative List shall be categorized as permitted industries for foreign investment. According to the Negative List, the industry of value-added telecommunications services (except for e-commerce, domestic multipoint communication, store-and-forward and call centers) we currently operate in falls into the restricted category.

According to the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), as most recently amended in February 2016, foreign invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture. The regulations limit the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor who invests in a foreign invested value-added telecommunications enterprise operating the value-added telecommunications business in the PRC to have a good track record and operational experience in operating value-added telecommunications business. On August 1, 2019, the Ministry of Industry and Information Technology (the "**MIIT**")

issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant shall have a record of good performance and operating experience in managing value-added telecommunications services, describing the value-added telecommunications services provided in the previous period in accordance with the relevant supporting documents and written expressions.

In July 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), according to which a foreign investor in the telecommunications service industry in the PRC must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) the PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts shall have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business. Based on the Notice regarding the Strengthening of Ongoing and Post Administration of Foreign Investment Telecommunications Enterprises (《關於加強外商投資電信企業事中事後監管的通知》) issued by MIIT in October 2020, the MIIT will not issue Examination Letter for Foreign Investment in Telecommunications Business (《外商投資經營電信業務審定意見書》). Foreign invested enterprises need to submit relevant foreign investment materials to MIIT for the initial application and the changes of telecommunications operating permits.

Regulations on Value-Added Telecommunication Services

The PRC Telecommunications Regulations (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), as most recently amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses prior to the commencement of its operations. The Telecommunications Regulations distinguish "basic telecommunications services" from "value-added telecommunications services." Value-added telecommunications services are defined as telecommunications and information services provided through public networks. Internet information service is a subcategory (B25 Information Service) of value-added telecommunications service in the Catalog of the Telecommunications Regulations (as defined below), as most recently updated in June 2019. Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**"), as most

recently amended in January 2011, "internet information services" refers to the provision of information through the internet to online users, and they are categorized into "commercial internet information services" and "non-commercial internet information services", which is a subcategory (B25 Information Service) of value-added telecommunications service in the current Catalog of the Telecommunications Regulations. On January 8, 2021, the Administrative Measures on Internet Information Services (Revised Draft for Comment) (《互聯網信息服務管理辦法》(修訂草案徵求意見稿)) was proposed by the Cyberspace Administration for China (the "**CAC**") for public comments until February 7, 2021. Compared with the current Internet Measures, the main changes of the revised draft are primarily on the following aspects: (i) extending the scope of "internet information services" as "the provision of internet information and application platform services to users, including but not limited to internet news information services, internet services relating to search engines, instant messaging, interactive information services, online live-streaming, online payment, advertisement promotion, online data storage, online shopping, online booking, application software downloading and other internet services"; (ii) telecommunications services license is required for an internet information service provider if internet information services provided by such provider is categorized as telecommunications services while filing with competent telecommunication authorities is required if internet information services provided by such provider are not deemed as telecommunications services; (iii) strengthening supervision and administration measures on publishing and communicating internet information and (iv) improving protection of users' information by requiring internet information service providers and internet access service providers to ensure personal information security and to implement technical and necessary measures to prevent the identity information and information record they collect, use, record and store from being leaked, damaged or lost.

The Catalog of Classification of Telecommunications Services (《電信業務分類目錄》) (the "**Catalog of Telecommunications Businesses**") was issued by the MIIT in December 2015 and amended in June 2019 as an attachment to the Telecommunications Regulations to categorize telecommunications services as either basic or value-added. A commercial internet information services operator must obtain a value-added telecommunications services license for internet information services, which is known as an ICP License, from the relevant government authorities before engaging in any commercial internet information services operations in the PRC. No ICP License is required if the operator will only provide internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, an ICP License has a term of five years and can be renewed within 90 days before expiration. The Catalog of Telecommunications Businesses categorizes online information services as value-added telecommunications services, and further provides that the internet data center ("**IDC**") services refer to the placement, agency maintenance, system configuration and management services provided for users' servers or other internet/network-related equipment in a form of outsourced lease by utilizing the corresponding machine room facilities, as well as the lease of database systems, servers and other equipment, lease of the storage spaces of such equipment, lease of communication lines and export bandwidth on an agency basis, and other application services. Whilst IDC services are subject to stricter regulations, the operator of IDC services needs to obtain a value-added telecommunications business license, and states its business category as IDC B11. Distribution of online information and IDC is subject to restrictions on foreign ownership under the current PRC laws and regulations, as they are internet-based businesses. The business scope of telecommunications companies are limited to the business opened according to China's WTO

commitments in accordance with the Negative List. In addition, China's commitment to open telecommunication business does not include data center business pursuant to the Protocol on the Accession of the PRC, effective on November 10, 2001. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Agreement and Mainland and Macao Closer Economic Partnership Agreement (collectively, the "**CEPA Agreements**"), both effective on June 1, 2016, Mainland China has promised to open mainland data center business to service providers in Hong Kong Special Administrative Region and Macao Special Administrative Region subject to certain limitations.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), promulgated by the MIIT in 2009 and most recently amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these measures, a commercial operator of value-added telecommunications services must first obtain a license from the MIIT or its provincial level counterpart, or else such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator's websites may be ordered to be closed.

In addition to the Telecommunications Regulations and the other regulations abovementioned, the provision of commercial internet information services on mobile internet applications is regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the CAC on June 28, 2016 and took effective on August 1, 2016. The information service providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications required by laws and regulations and being responsible for information security.

REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress (the "**SCNPC**") enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security (the "**MPS**") issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011, prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating license and shut down its websites. The

Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) that was issued and took effect on June 22, 2007 requires the entities that operate and use information systems to fulfill the obligation of protection the information system at multi-level. The entities that operate the information systems at Grade II or above shall, within 30 days since the date when its security protection grade is determined, handle the record-filing procedures at the local public security authority.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated in November 7, 2016 and took into effect on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain 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, including those described above. Any violation of the provisions and requirements under The Cyber Security Law may subject an internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

The PRC Data Security Law (《數據安全法》) was promulgated on June 10, 2021 and became effective on September 1, 2021. It establishes a data protection system based on the category and security level of the data in terms of its importance for economic and social development and the potential harm caused by illegal use of such data to national security, public interest or rights and interests of individuals and organizations. Competent governmental authorities shall be responsible to formulate lists for "key data." Higher level of protection shall apply to "national core data" which refers to data that are vital to national security, economy, people's livelihood and major public interests. According to the Data Security Law, data activities affecting or likely to affect national security will be subject to national security review under the data security review system. The data relating to safeguarding national security and interests and performance of international obligations shall be subject to export control of China. In addition, the Data Security Law provides that key data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. According to the Data Security Law, the maximum monetary fine imposed on the breaching party is RMB 10 million. Since the Data Security Law is relatively new, uncertainties still exist in relation to its interpretation and implementation.

On August 20, 2021, the SCNPC issued the Personal Information Protection Law (《個人信息保護法》), which takes effect from November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. The Personal Information Protection Law provides that a personal information processor could process publicly disclosed information within the reasonable scope in accordance therewith on the basis of the six circumstances already specified thereunder. No organization or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers the national security or public interests. The Personal Information Protection Law clarifies the definition of "Sensitive Personal Information", which means personal information that, once leaked or illegally used, may give rise to discrimination against individuals or seriously endanger personal or property security, including information on biometrics, religious beliefs, specific identifications, medical health, financial accounts, and personal whereabouts, among others. To process sensitive personal information based on an individual's consent, a personal information processor shall obtain the separate consent from the individual. Where any law or administrative regulation provides that written consent shall be obtained for processing sensitive personal information, such provision shall prevail. In terms of cross-border transmission of personal information, pursuant to the Personal Information Protection Law, a personal information processor, providing personal information to any party outside the territory of the PRC, shall notify individuals of the overseas recipient's identity, contact information, processing purposes, processing methods, categories of personal information, the methods in which individuals exercise the rights over the overseas recipient, and other matters, and obtain individuals' separate consent. Furthermore, critical information infrastructure operators and the personal information processors that process the personal information reaching or exceeding the threshold specified by the national cyberspace administration in terms of quantity shall store domestically the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information abroad, the security assessment organized by the national cyberspace administration shall be passed, unless otherwise regulated by laws, administrative regulations, or provisions issued by the national cyberspace administrative authorities. The Personal Information Protection Law provides that if an overseas organization or individual engages in personal information processing activities that damage the rights and interests relating to personal information of citizens of the PRC or compromise national security or public interests of the PRC, the national cyberspace administration may include it or him in a list of those the provision of personal information to whom is restricted or prohibited, make an announcement, and take measures such as restricting or prohibiting the provision of personal information to it or him. On the other hand, personal information processors shall themselves, on the basis of the purposes of the processing of personal information, processing methods, categories of personal

information, the impacts on individuals, and potential security risks, among others, take necessary measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access to as well as the leakage, tampering or loss of personal information.

For purposes of ensuring the security of the supply chain for critical information infrastructure and maintaining national security, on July 10, 2021, the Measures for Cyber Security Review (Revised Draft for Comments) (《網絡安全審查辦法（修訂草案徵求意見稿）》) (the "**Revised Draft**") was proposed by the CAC for public comments until July 25, 2021. As compared with the Measures for Cyber Security Review (《網絡安全審查辦法》) implemented on June 1, 2020, the Revised Draft has inserted the procedures for additional oversight of "foreign (國外)" listings in relation to cybersecurity. The Revised Draft specifies that the procurement of network products and services by operator of critical information infrastructure and the activities of data process carried out by data processor that raise or may raise "national security" concerns are subject to strict cyber security review by Office of Cyber Security Review established by the CAC. Before such operator or data processor purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, critical information infrastructure operators and data processors that possess the personal data of at least one million users must apply for a cybersecurity review by the Cyber Security Review Office, if they plan listing of companies in foreign countries. The Cybersecurity Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Revised Draft, any violation shall be punished in accordance with the Cybersecurity Law and the Data Security Law of the PRC, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations.

The cyber security review focuses on the assessment of risk related to procurement activities, data process and listing of companies overseas and the major factors that are taken into consideration includes (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) the risk that critical information infrastructure, core data or a large amount of personal information will be affected, controlled, or maliciously utilized by foreign governments after listing overseas and (vii) other factors that may endanger the security of critical information infrastructure and national data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review. Since the Revised Draft is released for public comments, it is subject to further changes interpretation, and the operative provisions and anticipated

adoption or effective date may be subject to change with substantial uncertainty. However, the Revised Draft provides no further explanation or interpretation for "foreign" listing (國外上市). It remains uncertain whether any future regulatory changes would impose additional restrictions on companies like us. The Revised Draft remains unclear on whether the relevant requirements will be applicable to companies that intend to be listed in Hong Kong such as us. Furthermore, the exact scope of operator under the Revised Draft and the current regulatory regime remains unclear, and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of these laws. We cannot predict the impact of the draft measures, if any, at this stage. As of the Latest Practicable Date, the Group has not been involved in any investigations on cybersecurity review made by the CAC on the national security basis or any other basis, and has not received any inquiry, notice, warning, or sanctions in such respect.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》) was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterate that data processors which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. In addition, the draft measures also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For example, in one of the following situations, data processors shall delete or anonymize personal information within fifteen business days: (1) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (2) the storage term agreed with the users or specified in the personal information processing rules has expired; (3) the service has been terminated or the account has been cancelled by the individual; and (4) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology. For the processing of important data, specific requirements shall be complied with, for example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and file to the cyberspace administration at the districted city level within fifteen business days after the identification of their important data. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year's data security assessment report to the cyberspace administration at the districted city level before January 31 of each year. When providing overseas data collected and generated within the PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processors shall go through the security assessment of data cross-border transfer organized by the national cyberspace administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the CAC is still seeking comments on the Revised Draft from the public as of the

date of the Prospectus, the Revised Draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty. For further information, see "Risk Factors — Risks relating to Our Business — We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences."

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**Safe Protection Regulations**") which will take effect on September 1, 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarify the measures for dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

On October 29, 2021, the Measures for the Security Assessment of Cross-border Data Transmission (Draft for Comment) (《數據出境安全評估辦法（徵求意見稿）》) was proposed by the CAC for public comments until November 28, 2021, which requires that any data processor providing important data collected and generated during operations within the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The draft measures provides five circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information or important data collected and generated by operators of critical information infrastructure; (ii) where the data to be transferred to an overseas recipient contain important data; (iii) where a personal information processor that has processed personal information of more than one million people provides personal information overseas; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively; or (v) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. As of the Latest Practicable Date, the above measures had not been formally adopted.

On September 30, 2021, the MIIT issued the Measures for Data Security Administration in the Industry and Information Technology Field (Trial Implementation) (Draft for Comments) (《工業和信息化領域數據安全管理辦法（試行）（徵求意見稿）》) for public comments. In accordance with the draft measures, the industrial and telecommunication data processors shall classify data firstly based on the data's category and then based on its security level on a regular basis, to classify and identify data based on the industry requirements, business needs, data sources and purposes and other factors, and to make a data classification list. In addition, the industrial and telecommunication data processors shall establish and improve a sound data classification management system, take measures to protect data based on the levels, carry out key protection of critical data, implement stricter management and protection of core data on the basis of critical data protection, and implement the protection with the highest level of requirement if different levels of data are processed at the same time. The draft measures also impose certain obligations on industrial and telecommunication data processors in relation to, among others, implementation of data security work system, administration of key management, data collection, data storage, data usage, data transmission, provision of data, publicity of data, data destruction, safety audit and emergency plans, etc. As of the Latest Practicable Date, the draft measures have not been formally adopted.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

On August 16, 2021, the CAC, the NDRC, the MPS, the MIIT and the Ministry of Transport jointly promulgated the Several Provisions on Automobile Data Security Management (Trial Implementation) (《汽車數據安全管理若干規定（試行）》) ("**Provisions on Automobile Data Security**") which will take effect from October 1, 2021 and aims to regulate the collection, analysis, storage, utilization, provision, publication, and cross-border transmission of personal information and critical data generated throughout the lifecycle of automobiles by automobile designers, producers and service providers. Relevant automobile data processor including automobile manufacturers, compartment and software providers, dealers, maintenance providers are required to process personal information and critical data in accordance with applicable laws during the automobile design, manufacture, sales, operation, maintenance and management. To process personal information, automobile data processors shall obtain the consent of the individual or conform to other circumstances stipulated by laws and regulations. Pursuant to the Provisions on Automobile

Data Security, personal information and critical data related to automobiles shall in principle be stored within the PRC and a cross-border data security evaluation shall be conducted by the national cyberspace administration authority in concert with relevant departments under the State Council if there is a need to provide such data overseas. To process critical data, automobile data processors shall conduct risk assessment in accordance with regulations and submit risk assessment reports to related departments at provincial levels.

On March 6, 2020, the Standardization Administration Committee of China issued Information Security Technology — Personal Information Security Specification (《信息安全技術-個人信息安全規範》) (GB/T 35273-2020) (the "**2020 Specification**"). The 2020 Specification has replaced GB/T 35273-2017 Personal Information Security Specification, and has updated and refined the previous guidelines. The 2020 Specification is a recommended national standard which means it does not have legal effect, but to certain extend it explains and reinforces the requirements under the PRC Cyber Security Law. It lays out granular guideline on how to obtain consent and how personal information should be collected, used and shared. Under the 2020 Specification, personal information refers to any information that is recorded, electronically or otherwise, that can be used alone or in combination with other information to identify a natural person or reflect the activity of a natural person. Sensitive personal information is defined as personal information which if disclosed or abused, will lead to adverse impact to the personal information subject, including personal identification number, mobile phone number, individual biometric information, bank account number, location tracking, health and physiological information and transaction information, etc. The organization or person who is in a position to determine the purpose, means and similar measures of personal information processing (the "**PI Controller**") cannot force a natural person, who is identified by or associated with the personal information (the "**PI Subject**"), to accept the business functions provided by the product or service. If the PI Subject does not explicitly authorize and provide consent to use personal information for a specific business function, the PI Controller may not demand the PI Subject to give consent by reasons of better quality service, increased security, research and promote better experience. Under the 2020 Specification, the PI Controller, among other things, is required to inform the PI Subject of the purpose, method, scope and other rules for collecting and using such personal information and obtain consent from the PI Subject, obtain explicit consent (being a specific and clear expression of intention voluntarily made by the PI Subject on the basis of complete knowledge) from the PI Subject prior to collection of sensitive personal information, and minimize the storage period of personal information necessary to accomplish their purposes, after which personal information must be anonymized); furthermore, to share and transfer personal information, the PI Controller must conduct security impact assessments in advance, inform the subject about the purpose of sharing and transferring their personal information, and receive the PI Subject's explicit consent. It is suggested as well that Controllers develop a specific and detailed protocol for handling and reporting any personal information security incidents, including regular trainings for the workers who handle personal information.

On July 27, 2021, the Supreme People's Court of China issued the Provisions on Several Issues concerning the Application of Law in the Trial of Civil Cases Involving the Use of Face Recognition Technologies to Process Personal Information (《關於審理使用人臉識別技術處理個人信息相關民事案件適用法律若干問題的規定》) (the "**Face Recognition Provisions**"). The Face Recognition Provisions apply to civil disputes arising from the use of face recognition technology to deal with facial

information between equal civil subjects. The Face Recognition Provisions clarify the nature and responsibilities of the abuse of utilizing face recognition technologies to process facial information. To process the facial information of a natural person, the individual consent of such natural person or his/her guardian must be obtained. Any violation of individual consent, or forcing or de facto forcing of a natural person to consent to the processing of facial information constitutes an infringement of the personal rights and interests of natural persons. The Face Recognition Provisions further stipulate that a natural person has the right to confirm the invalidity of certain boilerplate terms of a contract with the information processor if the information processor enters into a contract with a natural person using boilerplate terms that would require such natural person to grant the processer an indefinite right to process his/her human facial information, or that such terms are irrevocable or would permit the information processor to assign the right to process such facial information. If the natural person requests confirmation that the boilerplate terms are invalid, the Face Recognition Provisions provide that the people's court shall support the claim pursuant to the law.

Pursuant to the Eleventh Amendment to the Criminal Law (《中華人民共和國刑法修正案（十一）》) issued by the SCNPC in December 26, 2020 and became effective in March 1, 2021, any internet service provider that fails to fulfill the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued on April 23, 2013, Article 253 of the Criminal Law of the PRC (《中華人民共和國刑法》), and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") that was issued by the National People's Congress ("**NPC**") on May 28, 2020 and took effect on January 1, 2021 provides that natural persons' personal information shall be protected by law and any organizations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information, or illegally buy or sell, provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons'

names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing, and shall meet the following conditions: (i) with the consent of the natural person or the guardian thereof, unless otherwise provided by laws or administrative regulations; (ii) expressly stating the purpose, method and scope of information to be processed; and (iii) not violating the provision of the laws and administrative regulations and the agreement of both parties. The Civil Code has revised the Internet tort liability and further elaborated on "safe harbor" rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder's notice to disputed internet user; and (ii) upon receiving counter-notice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code has also provides that where the internet service provider knew or should have known the infringing acts of the internet user, it shall be severally liable with such internet user.

During the Track Record Period, we have implemented comprehensive internal policies and measures on protection of cybersecurity, data privacy and personal information. See "Business — Data Privacy and Personal Information Protection."

REGULATIONS AND POLICIES ON ARTIFICIAL INTELLIGENCE TECHNOLOGIES AND AUTONOMOUS DRIVING VEHICLE

The Guidelines for the Construction of National Open Innovation Platforms for the New Generation Artificial Intelligence (《國家新一代人工智能開放創新平台建設工作指引》), promulgated by the Ministry of Science and Technology on August 1, 2019 and came into effect on the same date, pointed out that "open and sharing" shall be the important philosophy in promoting artificial intelligence innovation and industry development in China, and encouraged to open innovation platforms for companies to do testing, and thus to form standard and modularized models, middleware and applications for providing services to the public in the form of open interfaces, model libraries, algorithm packages, etc. The Guidelines for the Construction of the National New Generation Artificial Intelligence Innovation and Development Pilot Zone (revised version) (《國家新一代人工智能創新發展試驗區建設工作指引(修訂版)》), promulgated by the Ministry of Science and Technology on September 29, 2020 and came into effect on the same date, underlines that an environment conducive to the innovation and development of artificial intelligence shall be created, as well as to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

In accordance with the Notice of the State Council on Issuing the "Made in China (2025)" (《國務院關於印發<中國製造2025>的通知》) which was promulgated by the State Council on May 8, 2015 and came into effect on the same date, to fully implement the intention of the 18th National Congress of the Communist Party of China (the "**CPC**") and the Second, Third and Fourth Plenary Sessions of the 18th Central Committee of the CPC and adhere to the path of new industrialization with Chinese characteristics, the promotion of integrated development of the next generation

information technology and manufacturing technology and regard intelligent manufacturing are the main directions of comprehensive integration of informationization and industrialization. And efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of research and development, production, management and service of enterprises. The Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and Outlines of Objectives in Perspective of the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), promulgated on March 12, 2021 and came into effect on the same date, points out the focus of key areas include high-end chips, operating systems, key artificial intelligence algorithms, sensors, and the PRC shall speed up technology R&D, and make breakthroughs in basic theories, basic algorithms, and equipment materials.

In May 2016, the Chinese government issued the Three-Year Implementing Plan for Internet Plus Artificial Intelligence (《"互聯網+"人工智能三年行動實施方案》, the "**Three-Year Plan**") and in July 2017, the Development Planning on the New Generation of Artificial Intelligence (《關於印發新一代人工智能發展規劃的通知》, the "**Development Plan**") was also issued. The two Plans aimed to encourage the development of AI technology in China. In particular, the Three-Year Plan stipulates that by 2018, the Three-Year Plan jointly released by the NDRC, MIIT, Ministry of Science and Technology ("**MOST**") and State Internet Information Office ("**SIIO**") outlined nine key engineering areas in AI technology development between 2016 and 2018. It also identified specific high-level policy goals of the Chinese government such as funding for research and development, government support for industry development and the identification of key industrial projects. The Three-Year Plan put forward a series of measures for technology R&D and application and industrial development. On the other hand, the Development Plan issued by the State Council charts a blueprint for the overall thinking, strategic goals, main tasks and supporting measures for AI development in China all the way through 2030. Importantly, the Development Plan outlined a three-step process to achieve its strategic objectives.

The MIIT, the Ministry of Public Security and the Ministry of Transport issued the Circular on the Norms on Administration of Road Testing of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試管理規範（試行）》) (the "**Norms on Administration**") in April 2018, which became effective from May 1, 2018, and further issued the Administrative Norms for Road Testing and Demonstrative Application of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範（試行）》) (the "**New Norms on Administration**") on July 27, 2021, which will become effect from September 1, 2021 and will replace the Norms on Administration. The New Norms on Administration is the primary national level regulatory document on road testing of autonomous driving vehicles in the PRC, pursuant to which, any entity intending to conduct a road testing and demonstrative application of intelligent connected vehicles must provide a self-statement on road testing safety and a temporary license plate for each tested vehicle. Demonstrative application refers to activities involving the pilot and trail effects of running intelligent connected vehicles with passengers and goods, which are carried out on designated sections of roads, urban roads, regions and other roads that are used for passage of public motor vehicles. To qualify for these required licenses, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of vehicles and

vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the tested vehicles; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human driving mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (iv) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. During testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the self-statement. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must again provide the former relevant materials and supplementary materials (if any) to the relevant authority supervising the road-testing of autonomous cars in that region. In addition, the testing entity is required to submit to the provincial authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the provincial authority within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident.

On February 10, 2020, eleven central level Chinese governmental departments jointly issued the Strategy for Innovation and Development of Intelligent Vehicles (《智能汽車創新發展戰略》) (the "**Strategy**"). The Strategy sets out a blueprint of how the Chinese government will boost the development of autonomous vehicles over the next thirty years. The Strategy makes it clear that intelligent vehicles are the future of the global automotive industry and that China is no exception. The Strategy provides a more realistic vision that by 2025 a comprehensive system comprising of technological innovation, industrial ecosystem, infrastructure, regulations and standards, product regulating and cybersecurity has been basically established – all aimed at providing an ecosystem for intelligent vehicles to develop in China.

On March 9, 2020, the Taxonomy of Driving Automation for Motor Vehicles (《汽車駕駛自動化分級》) was published by the MIIT and subsequently became the recommended national standard on January 1, 2021. It provides six levels from 0 to 5 for the taxonomy of driving automation, which level 5 refers to full driving automation.

REGULATIONS ON PRODUCT LIABILITY AND CONSUMER RIGHTS PROTECTION

Regulations on Product Liability

According to the Civil Code, if defective products are identified after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuance of a warning, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), promulgated on February 22, 1993 and was most recently amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the infringed party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. A seller of a product shall be responsible for repairing, replacing or returning the product with the specified defects, and shall compensate for the damages incurred by consumers who bought such defective product. After the seller performs its obligation of repairing, replacing and returning the defective product and/or compensating for the customers' damages, such seller is entitled to seek reimbursement from the manufacturer of such product, if it could be proved that the defect is caused by the manufacturer. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, the business license may be revoked.

A variety of consumer protection laws are also applicable to regulate our business including the Consumer Rights and Interests Protection Law of the PRC (《消費者權益保護法》) (the "**Consumer Rights and Interests Protection Law**"), which was amended on October 25, 2013 and became effective on March 15, 2014. The Consumer Rights and Interests Protection Law imposes stringent requirements and obligations on business operators, who are required to guarantee that the products and services they provide satisfy the requirements for personal or property safety. Business operators are also required to provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Any incompliance with these consumer protection laws could result in a wide range of penalties including administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

Regulations on Compulsory Product Certification

According to the Administrative Regulations on Compulsory Product Certification (《強制性產品認證管理規定》) as promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, or the QSIQ, which was merged into the SAMR afterwards, on July 3, 2009 and became effective on September 1, 2009 and the First Catalog of Products Subject to China Compulsory Certification as promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee, or the CAA, on December 3, 2001, QSIQ are responsible for the regulation and quality certification of vehicles. Telecommunication terminal equipment and information technology equipment must not be sold, exported or used in operating activities unless they are certified by certification authorities designated by the CAA as qualified products and granted certification marks.

REGULATIONS ON NATIONAL SECURITY PROTECTION MATTERS

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures (《阻斷外國法律與措施不當域外適用辦法》) (the "**Counteracting Measures**"). This legislation provides the legal basis for the Chinese government to cope with the impact on China caused by unjustified extra-territorial application of foreign legislation and other measures other than those under the treaties or international agreements to which China is a party. The Counteracting Measures will apply to cases where the extraterritorial application of foreign laws and measures violates international law and basic norms of international relations, and improperly prohibits or restricts PRC citizens, legal persons or other organizations from conducting normal economic, trade and related activities with third countries (regions) and their citizens, legal persons or other organizations. According to the Counteracting Measures, where Chinese entities encounter foreign laws or measures that prohibit or restrict their normal economic and trade activities, they shall report the relevant situation to the MOFCOM and its local counterparts within 30 days. Failure to report may subject such Chinese entities to warning, rectification order within a specified time and fine.

The Counteracting Measures further stipulates the working mechanism for dealing with the unjustified extraterritorial application of foreign laws and measures, which is led by the MOFCOM, together with the NDRC and other relevant departments. When assessing and determining whether the reports received involve unjustified extra-territorial application of foreign legislation and other measures, the following factors shall be taken into account by the working mechanism: (1) whether international law or the basic principles of international relations are violated; (2) potential impact on China's national sovereignty, security and development interests; (3) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (4) other factors that shall be taken into account. Where the working mechanism, confirms the existence of unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM will issue a prohibition order against recognition, enforcement and compliance with relevant foreign laws and measures; meanwhile, a citizen, legal person or other organization of China may also have the right to apply to the MOFCOM for exemption from compliance with a prohibition order.

The Counteracting Measures also provide protections from the national level, i.e. the Chinese government can provide relevant support to Chinese entities that suffer significant losses due to non-compliance with the relevant foreign laws and measures, in adherence to the prohibition order; and take necessary counter-measures based on actual circumstances and needs.

REGULATIONS ON ANTI-MONOPOLY MATTERS

The currently effective Anti-Monopoly Law (《中華人民共和國反壟斷法》) was promulgated by the SCNPC in 2007 and took effect on August 1, 2008. Pursuant to the Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the antimonopoly law enforcement authority under the State Council and it prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed). On June 26, 2019, the SAMR further issued the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》) which took effect on September 1, 2019 and supersedes certain anti-monopoly rules and regulations previously issued by the State Administration for Industry and Commerce (the "**SAIC**"). Upon the implementation of the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》), the Provisions on the Procedures for the Administrative Departments for Industry and Commerce to Investigate Cases of Monopoly Agreements and the Abuse of Dominant Market Position (《工商行政管理機關查處壟斷協議、濫用市場支配地位案件程序規定》), issued by the former SAIC in 2009, and the Provisions for the Industry and Commerce Administrations on the Prohibition of Monopoly Agreements (《工商行政管理機關禁止壟斷協議行為的規定》) published in 2010 were simultaneously abolished.

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which took effect on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions. Upon the implementation of the Interim Provisions on the Prohibitions of Acts of Abuse of

Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), the *Provisions for the Industry and Commerce Administrations on the Prohibition of Abuse of Dominant Market Position* (《工商行政管理機關禁止濫用市場支配地位行為的規定》) was simultaneously abolished. The Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) provides more details on factors to be taken into consideration when assessing an abusive behavior, introduces types of factors for consideration of the dominance of operators in the internet and intellectual property industry, and clarifies the procedural requirements for suspension of investigation.

Among other things, where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright and Software Products

On September 7, 1990, the SCNPC promulgated Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which took into effect on June 1, 1991, and amended on October 27, 2001, February 26, 2010 and November 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products also enjoys copyright. There is a voluntary registration system administered by the PRC Copyright Protection Center. In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, taking into effect on October 1, 1991, and amended on December 20, 2001, January 8, 2011 and January 30, 2013 (which amendment took into effect on March 1, 2013) respectively, the National Copyright Administration issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination

through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) provide that web players or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten- year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), promulgated by MIIT on November 5, 2004 and taking into effect on December 20, 2004 which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by MIIT on August 24, 2017 and taking into effect on November 1, 2017, and the Implementing Rules of China Country Code Top-Level Domain Name Registration (《國家頂級域名註冊實施細則》) and the Procedural Rules of China Country Code Top-Level Domain Name Dispute Resolution (《國家頂級域名爭議解決程序規則》) which were promulgated by China Internet Network Information Center on June 18, 2019 and came into effect on the same date. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle, where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names

upon the completion of the registration procedure. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognized by the China Internet Network Information Center. In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and came into effect on January 1, 2018, the Internet access service provider concerned shall check the real identity information of the domain name registrant via the Record-filing System, and shall not provide access services if the Internet-based information service provider fails to provide real identity information or the identity information provided is inaccurate or incomplete, with the exception of domain names that have been filed for record with the Record-filing System prior to the effectiveness of this Notice.

Patents

According to the Patent Law of the PRC (Revised in 2020) (《中華人民共和國專利法（2020年修訂）》) promulgated by the by the Standing Committee of the NPC on October 17, 2020 and came into effect on June 1, 2021, and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則（2010 年修訂）》) promulgated by the State Council on January 9, 2010 and most recently amended on February 1, 2010, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design." Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. In accordance with the Measures for the Filing of Patent Exploitation License Contracts (《專利實施許可合同備案辦法》) which was promulgated by the State Intellectual Property Office on June 27, 2011 and came into effect on August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide. The parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights. Compared with the Patent Law before revised, the main changes of the Patent Law of the PRC (revised in 2020) are concentrated on 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); and (iv) increasing the compensation for patent infringement.

REGULATIONS ON EMPLOYMENT

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, taking into effect on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, 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, taking into effect on January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and taking into effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Under PRC laws, rules and regulations, including the Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and taking into effect on July 1, 2011, which was amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council and taking into effect on January 22, 1990 and amended on March 24, 2019, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated by the State Council and taking into effect on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations (《外匯管理條例》), most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange ("**SAFE**"), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) ("**Circular 59**"), which substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts

for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning 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》) ("**Circular 13**"). Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《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》) ("**Circular 19**"), which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) ("**Circular 142**"), and the Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) ("**Circular 36**"). Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16's interpretation and implementation in practice. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**Circular 3**"), which stipulates several capital control

measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), which was promulgated by the SAFE on April 10, 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Enterprises meeting the prescribed requirements are allowed to use revenues under the capital accounts as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials in advance, to the extent that funds are used for true and law-compliant purposes and such enterprises comply with the in-force administrative provisions on the use of revenue under the capital accounts.

Regulation on Foreign Debts

A loan made by a foreign entity to a PRC entity is considered to be a foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, foreign debts must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract before the principal of debts can be remitted into the onshore foreign debt bank account. Pursuant to these rules and regulations, measured with the traditional approach before PBOC Circular 9 (as defined hereunder), the maximum amount of the aggregate of (i) the outstanding balance of foreign debts with a term not longer than one year, or the short-term foreign debt balance, and (ii) the accumulated amount of foreign debts with a term longer than one year, or the medium and long-term foreign debt amount, of an FIE shall not exceed the difference between its registered total investment and its registered capital, or Total Investment and Registered Capital Balance; in particular, for the foreign debt scale of foreign-funded investment companies, if the registered capital is not less than US$30 million but less than US$100 million, the sum of the short-term foreign debt balance and the medium and long-term foreign debt amount shall not exceed 4 times of the paid-in capital; if the registered capital is not less than US$100 million, the sum of the short-term foreign debt balance and the medium and long-term foreign debt amount shall not exceed 6 times of the paid-in capital.

On January 12, 2017, the People's Bank of China (the "**PBOC**") promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》), or PBOC Circular 9, which sets forth an upper limit for PRC entities, including FIEs and domestic enterprises, regarding their foreign debts. Pursuant to PBOC Circular 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn) shall not exceed 200% of its net assets. In March

2020, the PBOC and SAFE issued the Notice on Adjustments to Comprehensive Macro-prudential Regulation Parameters for Cross-border Financing, further increasing outstanding cross-border financing for enterprises to 250% of its net assets, or Net Asset Limit. FIEs can choose to calculate their maximum amount of foreign debts based on either (i) the Total Investment and Registered Capital Balance, or (ii) the Net Asset Limits. In addition, a foreign debt with a term of or longer than one year must be filed with the NDRC before the debt issuance, and the issuer shall submit the foreign debt information to the NDRC within 10 business days from completion of each debt issuance according to the Circular on Promoting the Reform of Filing and Registration Administrative Regime for the Foreign Debt Issuance by the NDRC.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), replacing the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局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》) ("**Circular 75**"). Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under Circular 13, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

On February 13, 2015, SAFE promulgated the Circular 13, which took into effective on February 13, 2015. Circular 13 has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject

relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

On October 23, 2019, the SAFE promulgated the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) ("**Circular 28**"). Pursuant to Circular 28, on the basis of allowing investment-oriented foreign-invested enterprise (including foreign-invested investment companies, foreign-invested venture capital enterprises an foreign-invested equity investment enterprises) to use capital funds for domestic equity investment in accordance with laws and regulations, non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

Regulations on Stock Incentive Plans

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《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》) (the "**Stock Option Rules**") on February 15, 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Administration of Taxation (the "**SAT**") on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家税務總局關於股權激勵有關個人所得税問題的通知》) promulgated by the SAT, and effective from August 24, 2009 and amended in April 18, 2011, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) (the "**EIT Law**") promulgated by NPC on March 16, 2007, which took into effect on January 1, 2008, amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the SAT on April 22, 2009, taking into effect on January 1, 2008 and most recently amended on December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

On July 27, 2011, SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得税管理辦法 (試行)》), which came into effect on September 1, 2011 and was last amended on June 15, 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) promulgated and taking into effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such

reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-Resident Taxpayers (《非居民納税人享受税收協定待遇管理辦法》), which was issued on August 27, 2015 and revised on June 15, 2018 and October 14, 2019 by the SAT, and became effect on January 1, 2020, according to which, a non-resident taxpayer who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and material stipulated in Article 7 of the measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

Based on the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), which was issued on February 3, 2018 by the SAT and took into effective on April 1, 2018, to determine the "beneficial owner" status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits, a comprehensive analysis shall be carried out in accordance with the factors set out in such announcement, taking into account actual conditions of the specific case.

According to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by Ministry of Science and Technology, Ministry of Finance ("**MOF**") and SAT on January 29, 2016, which took effect on January 1, 2016 the Certificate of a High and New Technology Enterprise is valid for three years. According to the Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國税收徵收管理法實施細則》) promulgated by the State Council on February 6, 2016 and came into effect on the same date, taxpayers who enjoy tax reduction or exemption incentives shall, upon expiry of the tax reduction or exemption period, resume tax payment from the day following the expiry date. In the event of changes to the criteria for tax reduction or exemption, the taxpayer shall submit a report to the tax authorities within the tax declaration period. Taxpayers who no longer satisfy the criteria for tax reduction or exemption shall perform tax payment obligation pursuant to the law.

Value-added Tax

According to the Provisional Regulations on Value-added Tax (《增值税暫行條例》) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016, and November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, the Decision of the State Council to Repeal the Interim Regulation of the People's Republic of China on Business Tax and Amend the Interim Regulation of the People's Republic of China on Value-Added Tax (《國務院關於廢止<中華人民共和國營業税暫行條例>和修改<中華人民共和國增值税暫行條例>的決定》) which was promulgated by the State Council and effective on November 19, 2017, the Circular on Adjustment of Value-added Tax Rates (《關於調整增值税税率的通知》) jointly promulgated by MOF and SAT on

April 4, 2018 and taking into effect on May 1, 2018, and the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值税改革有關政策的公告》) jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and taking into effect on April 1, 2019 (collectively, the "**VAT Law**"), all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax (the "**VAT**") and the VAT rates are further revised to 6%, 9% or 13%.

In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Value-added Tax Policies for Software Products (《財政部、國家税務總局關於軟件產品增值税政策的通知》) which was promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011 and came into effect on January 1, 2011, a value-added tax general taxpayer selling software products developed and produced by itself shall be subject to levying and collection of value-added tax at the tax rate of 17%, and the policy of forthwith levy and forthwith refund shall be implemented for the portion of value-added tax actually paid which exceeds 3%.

Urban Maintenance and Construction Tax

In accordance with the Interim Regulation of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税暫行條例》) which was promulgated by the State Council on February 8, 1985, and was latest effective on January 8, 2011, the Law of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設税法》) which was promulgated by the Standing Committee of National People's Congress on August 11, 2020 and will come into effect on September 1, 2021, and the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (《國務院關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and latest effective on December 1, 2010, entities and individuals which are subject to consumption tax, VAT and business tax shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the State Administration for Market Regulation, China Securities Regulatory Commission ("**CSRC**") and the SAFE, issued the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which took into effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign

investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange. For further information, see "Risk Factors — Risks Relating to Doing Business in China — The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China."

On July 6, 2021, Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps-up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, improving relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of China-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of companies in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), as amended in 1999, 2004, 2005, 2013 and 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. A company is an enterprise legal person with independent legal person property, and is entitled to legal person property rights. The company shall bear liabilities for its debts with all its assets. The shareholders of a limited liability company shall bear liabilities for the company to the extent of their respective subscribed capital contribution. The shareholders of a joint stock limited company shall bear liabilities for the company to the extent of their respective subscribed shares. The Company Law shall be applicable to foreign-invested limited liability companies and joint stock limited companies. The provisions otherwise prescribed by the laws on foreign investment shall prevail. The Regulation of the PRC on the Administrative of Company Registration was promulgated by the State Council on June 24, 1994 and was amended on February 6, 2016. The registration for a PRC company's establishment, modification, and termination shall comply with the provisions of the Regulation of the PRC on the Administration of Company Registration. The organizational form, organizational structure and their activities rules of a foreign-invested enterprise shall be governed by the provisions of the Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") was promulgated by the National People's Congress on March 15, 2019 and became effective on January 1, 2020. The PRC Sino-Foreign Equity Joint Ventures Law, the PRC Wholly Foreign-owned Enterprises Law (《中華人民共和國外資企業法》) and the PRC Sino-Foreign Cooperative Joint Ventures Law were repealed simultaneously. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in the PRC. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. In addition, it is further provided in the FIL that the State Council will publish or approve to publish a catalog for special administrative measures, or the "negative list." The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list." The FIL provides that foreign invested entities operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities. For further information, see "Risk Factors — Risks Relating to Our Corporate Structure — Substantial uncertainties exist with respect to the interpretation and implementation of the newly adopted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Furthermore, the FIL provides that foreign-invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL. In addition, the FIL also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within the PRC, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign-invested enterprises should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

The Implementation Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations of the FIL**") was promulgated by the

State Council on December 26, 2019 and became effective on January 1, 2020. The PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations were repealed simultaneously. The Implementation Regulations of the FIL further clarified that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

In accordance with the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was promulgated by the Ministry of Commerce and State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 19, 2020 and came into effect on January 18, 2021, the office of the working mechanism for the security review of foreign investments is set up under the National Development and Reform Commission, which is led by the National Development and Reform Commission and the Ministry of Commerce to undertake the routine work of the security review of foreign investments.

REGULATIONS ON GOVERNMENT PROCUREMENT AND BIDDING

The Government Procurement Law of the PRC (《中華人民共和國政府採購法》) (the "**Government Procurement Law**"), which was last amended on August 31, 2014, provides that public invitation for bids shall be taken as the main method of government procurement. Government procurement refers to the procurement of goods, projects and services within the centralized procurement catalog formulated in accordance with the law by state organs at all levels, public institutions and social organizations with fiscal funds or above the prescribed procurement threshold. The method of bidding, which is employed in government procurements, shall be subject to the bidding law. Furthermore, the parties involved in government procurement shall not collude with each other to damage the interests of the State or the public. Pursuant to the Bidding Law of the PRC (2017 Amendment) (《中華人民共和國招標投標法(2017修正)》) (the "**Bidding Law**"), which was promulgated on December 27, 2017 and became effective on December 28, 2017, bidding shall be carried out for the following construction projects, including the survey, design, construction, supervision of the project, and the procurement of the important equipment, materials relevant to the construction of the project: (1) large projects of infrastructure facility or public utility that have a bearing on the social public interest and the safety of the general public; (2) projects entirely or partially using state-owned funds or loans by the state; (3) projects using loans of international organizations and foreign governments and aid funds. For a project concerned with national security, state secrets, emergency handling, disaster relief, or belonging to special occasions such as the use of poverty alleviation funds or the use of the labor of farmers and is not suitable for bidding, the method of bidding shall not be applied. As pertains to projects legally requiring bidding, no entity or individual evade bidding by any means including the dismembering of projects.

REGULATIONS ON THE INDUSTRY

Regulation and Classification of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Medical Device Regulations**") amended by the State Council and came into effect on June 1, 2021, the drug administration of the State Council shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures. The products we currently produce and sell in China are the Class II medical devices.

Registration and Filings of Medical Device Products

On August 26, 2021, the National Medical Products Administration (the "**NMPA**") promulgated the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) (the "**Registration and Filing Measures**"), which came into effect on October 1, 2021. According to the notice issued by NMPA on September 29, 2021, for registration applications that have been accepted before the implementation of the Registration and Filing Measures but have not yet made an approval decision, the drug regulatory authorities will continue to review and approve these applications according to the original regulations and issue registration certificates for medical devices that meet the criteria for launching. Registration and Filing Measures reiterate to categorize medical devices into three classes with each class under individual supervision. Class I medical devices shall be managed by filing, while Class II and Class III medical devices shall be managed by registration. The registrants of medical devices shall take the initiative to conduct post-market study on medical devices, further confirm the safety, effectiveness and quality controllability of medical device, and strengthen the continued administration of the medical devices available on the market. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration.

The registration certificate for a medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal six months prior to its expiration date.

Production Permit of Medical Devices

Pursuant to the Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "**Production Measures**") promulgated by the NMPA, amended and came into effect on November 17, 2017, given that a manufacturer of medical device shall satisfy all of the conditions as set forth in Production Measures, such enterprises, engaging in the production of Class II and Class III medical devices shall apply for production permits to the competent food and drug authorities at the local level, whereas those engaging in the production of Class I medical devices who may make filings with such competent governmental authorities.

A production permit for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal six months prior to its expiration date. We have obtained the Class II medical device production permits for the products we currently produce and sell in China, which are within the validity term.

On February 9, 2021, the State Council promulgated the Regulations on the Supervision and Administration of Medical Devices (2021) (《醫療器械監督管理條例（2021修訂）》) ("**Amendment to Medical Device Regulations**"), which came into effect on June 1, 2021. Compared with the Medical Device Regulations, the main changes are concentrated on the following aspects: (i) clarifying the system of "holders of medical device marketing license"; (ii) reforming the clinical trial management system; (iii) optimizing the approval process; and (iv) improving post-approval regulatory requirements. In terms of medical device marketing, the Amendment to Medical Device Regulations has clarified that the entity under either self-operating or authorized-operating model which shall be responsible for, among others, product quality and quality control system is the holder of medical device marketing license, and has added new requirements on online sales of medical devices. In terms of regulatory requirements, the Amendment to Medical Device Regulations has expanded the scope of supervision to all aspects of development, production, operation and use, and has added extended inspection and monitoring methods.

Productions and Quality Management of Medical Devices

Pursuant to the Production Measures and the Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) (the "**Standards on Production and Quality Management**") promulgated by the NMPA on December 29, 2014 and coming into effect on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system in accordance to the requirements of the Standards on Production and Quality Management. The enterprise engaging in the production of medical devices shall regularly conduct comprehensive self-inspection on the operation of quality management system in accordance with the requirements of the Standards on Production and Quality Management and submit a self-inspection report to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions, municipalities or at the districted city level before the end of every year. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the

purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks associated with the related products.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發〈醫療器械生產質量管理規範現場檢查指導原則〉等4個指導原則的通知》) promulgated by the NMPA on September 25, 2015 and coming into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" or "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated by the NMPA on January 25, 2017 and came into effect on May 1, 2017, in light of the severity harm, medical device recalls are divided into: (i) class I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) class II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) class III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices.

In terms of class I recall, the recall notice shall be published on the NMPA website and major media. In terms of class II and class III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

The U.S. government imposes export controls for national security, foreign policy, and other various policy reasons. One of the primary U.S. export control regimes is governed by the Export Administration Regulations ("**EAR**" 15 C.F.R. § 730.1 *et seq.*)**,** which are administered and enforced by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"). BIS is responsible for regulating the export, reexport, or transfer (in-country) of a diverse range of goods, software, and

technology (collectively, "**items**") including most commercial items, "dual-use" items (i.e., those items having both commercial and military or proliferation applications), and less-sensitive military items.

BIS regulates the export, reexport, and in-country transfer of items that are **"subject to the EAR."** The following items are subject to the EAR: (i) all U.S.-origin items wherever they are located in the world; (ii) any item physically in or moving in transit through the United States or U.S. Foreign Trade Zone (including items of foreign origin); (iii) any foreign-made item containing more than a *de minimis* amount of certain controlled U.S.-origin content; and (iv) certain foreign-made items that are the "direct product" of certain highly-controlled U.S.-origin software or technology (or are the direct product of a plant or major plant component that is itself the direct product of such U.S.-origin software or technology). Generally, foreign-made items that incorporate controlled U.S.-origin content accounting for less than 25% of the value of such items are not subject to the EAR when exported, reexported, or transferred (in-country) to any country except for Cuba, Iran, North Korea, or Syria (for which the *de minimis* threshold is 10%), unless the controlled content is of a certain type for which there is no *de minimis* threshold. For purposes of the *de minimis* analysis, any item that by itself requires a destination-based license to be exported to, reexported to, or transferred (in-country) within the country at issue is considered to be a controlled item.

Items that are subject to the EAR may require a license from the BIS prior to the export, reexport, or transfer (in-country) of the item. Violations of U.S. export controls may have serious consequences including, but not limited to, civil monetary penalties of up to $308,901 (as periodically adjusted for inflation) or twice the value of the transaction, whichever is greater; or criminal penalties of up to $1 million per violation and/or up to 20 years in prison; loss of access to items subject to the EAR; inclusion on one or more BIS lists of parties of concern; and/or reputational harm. To determine whether a license is required for the export, reexport, or transfer (in-country) of an item subject to the EAR, it is necessary to review the following:

- *Classification of the Item.* BIS maintains the Commerce Control List (**"CCL,"** Supplement 1 to 15 C.F.R. Part 744), which provides descriptions of items under Export Control Classification Numbers (**"ECCNs"**). Items that are not described under an ECCN on the CCL, but that are nevertheless subject to the EAR, are designated EAR99;

- *Country-based License Requirements.* Each ECCN identifies reasons for control, which indicate licensing requirements to certain destinations based on a review of the Commerce Country Chart (Supplement 1 to 15 C.F.R. Part 738). EAR99 items do not have specific reasons for control and do not require a license for most destinations, except for countries subject to comprehensive U.S. sanctions. Items on the CCL may also be subject to restrictions imposed by comprehensive U.S. sanctions;

- *Restricted Parties.* BIS maintains lists of companies, organizations, and individuals that may be subject to additional license requirements, regardless of the classification of the item; the Entity List is one of such lists; and

- *Prohibited End Uses.* BIS may also impose license requirements, regardless of an item's classification, if the item will be used in certain end uses, which are often related to certain proliferation activities.

Beijing SenseTime was added to the Entity List on October 9, 2019 (the "**Entity List Addition**"). See 84 Fed. Reg., 54,002 (Oct. 9, 2019). The addition of this subsidiary to the Entity List restricts Beijing SenseTime's ability to purchase or otherwise access certain items that are subject to the EAR. Pursuant to the Entity List Addition, license applications for items classified under ECCNs 1A004.c, 1A004.d, 1A995, 1A999.a, 1D003, 2A983, 2D983, and 2E983; for EAR99 items described in the Note to ECCN 1A995; and for "items necessary to detect, identify and treat infectious disease" are subject to a case-by-case review, while license applications for all other items subject to the EAR are subject to a presumption of denial. However, the Entity List restrictions do not apply to other entities within the Group that are legally distinct from Beijing SenseTime. Public guidance in the form of a Frequently Asked Question ("**FAQ**") No. 134 issued by BIS has clarified that "[s]ubsidiaries, parent companies, and sister companies are legally distinct from listed entities [and,] . . . [t]herefore, the licensing and other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List." Similarly, BIS has advised that "[t]he Entity List license requirements do not extend to parent companies unless the applicable listing for the company so states" (see BIS FAQ 136). In order to address EAR-related risks after the Entity List Addition, we have put in place a series of export control compliance measures for the entire Group, in abundance of caution.

Pursuant to Section 744.16(a) of the EAR, a person "may not, without a license from the BIS, export, reexport, or transfer (in-country) any items included in the License Requirement column of an entity's entry on the Entity List . . . when that entity is a party to a transaction as described in §748.5(c) through (f) of the EAR," i.e., the purchaser, intermediate consignee, ultimate consignee, or end-user. As specified on the Entity List, the license requirement for exports, reexports, or transfers (in-country) to Beijing SenseTime applies to "all items subject to the EAR." A party (e.g., a supplier to Beijing SenseTime) that exports, reexports, or transfers (in-country) an item that is subject to the EAR is strictly liable for violations related to such activity. Any other party to a transaction, including the buyer (e.g., Beijing SenseTime), must also comply with the EAR. Specifically, the EAR provides a basis for liability for activities, including, but not limited to, the following: (i) causing, aiding, or abetting a violation; (ii) soliciting or attempting a violation; (iii) conspiring to bring about or engage in a violation; (iv) misrepresenting or concealing facts to the U.S. government in connection with activities subject to the EAR; (v) acting with the intent to evade the EAR; (vi) failing to comply with recordkeeping requirements of the EAR; and (vii) acting with "knowledge" that a violation has occurred or is about to occur. The EAR defines "knowledge" as including "positive knowledge that the circumstance exists or is substantially certain to occur," as well as "an awareness of a high probability of its existence or future occurrence," which is "inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person's willful avoidance of facts." 15 C.F.R. § 772.1.