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## REGULATIONS

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Our business operations are subject to extensive supervision and regulations by the PRC government. This section provides a summary of certain aspects of PRC laws and regulations, which are relevant to our business and operations in the PRC, particularly in relation of: (1) the reform of medical institutions affecting our ability to implement our current business strategy to expand our operations; (2) the classification and management of medical institutions, medical test laboratory, medical devices and technology, medical professionals, environmental protection and labor protection regulating our day-to-day operations and affect our compliance costs; (3) medical incidents which may affect our potential liabilities arising from day-to-day operations; and (4) taxation and foreign exchange matters which may affect our operating results and business.

### REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

#### **Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》)**

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission (the “**NDRC**”), the Ministry of Health (the “**MOH**”) and other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》) (the “**Notice**”). The Notice set out the following measures with respect to expanding the scope for social capital to set up medical institutions, including: social capital is permitted and encouraged to set up various medical facilities, social capital may apply for establishing and operating either for-profit medical institutions (the “**PMIs**”) or not-for-profit medical institutions (the “**NMIs**”) according to its purposes; priority shall be given to social capital when adjusting or increasing medical and health resources; to reasonably determine the scope of practice for NMIs; overseas medical institutions, enterprises and other economic organizations are permitted to establish medical institutions together with domestic medical institutions, enterprises or other economic organizations in the form of equity or cooperation joint venture.

#### **Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》)**

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》), which was promulgated by the National Health and Family Planning Commission (the “**NHFPC**”) and the State Administration of Traditional Chinese Medicine (the “**SATCM**”) on December 30, 2013, stipulates the policies to support the development of private-invested medical institutions, including but not limited to the (i) gradual relaxation of investment in medical institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital’s investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

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### **Circular on Further Improving the Key Work concerning the Construction of the Graded Diagnosis and Treatment System (《關於進一步做好分級診療制度建設有關重點工作的通知》)**

Circular on Further Improving the Key Work concerning the Construction of the Graded Diagnosis and Treatment System (《關於進一步做好分級診療制度建設有關重點工作的通知》), which was promulgated by the NHC and SATCM on August 7, 2018, stipulates the policy to promote the development of the Graded Diagnosis and Treatment system, and in the process of planning and layout of the medical institution syndicate (醫療聯合體, the “MIS”), it is imperative to incorporate the social forces to establish medical institutions into the MIS. For the qualified social forces to establish medical institutions, they can take the lead to establish the MIS.

### **Administration Measures of Medical Institution Syndicate (For Trial Implementation) (《醫療聯合體管理辦法(試行)》)**

Administration Measures of Medical Institution Syndicate (For Trial Implementation) (《醫療聯合體管理辦法(試行)》), which was promulgated by the NHC and SATCM on July 9, 2020, stipulates the policy to promote the construction of MIS and encourage the transformation of the development mode of medical institutions from disease treatment to health as key. MIS includes but is not limited to urban medical groups, county-level medical communities, specialist alliances, and telemedicine collaboration networks. Private-invested medical institutions are encouraged to participate in the MIS voluntarily.

## **REGULATIONS ON THE CLASSIFICATION AND MANAGEMENT OF MEDICAL INSTITUTIONS**

### **Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》)**

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), jointly promulgated by the MOH, SATCM, Ministry of Finance (the “MOF”) and NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs. PMIs may distribute their profit to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services.

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### **The Administrative Measures on Medical Institutions and its Implementation Measures (《醫療機構管理條例》及其實施細則)**

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which was promulgated on February 26, 1994 by the State Council, came into effect on September 1, 1994 and amended on February 6, 2016, and its Implementation Measures, which were promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, hospitals, health centers, sanatoriums, outpatient departments, clinics, health clinics, health posts (rooms) and first aid stations are medical institutions. The establishment of a medical institution by any entity or individual must be reviewed and approved by health administrative departments of people’s governments at or above the county level and obtain the Medical Institution Practising Certificate (醫療機構執業許可證).

### **REGULATIONS ON SUPERVISION OF MEDICAL DEVICES**

#### **Regulations Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》)**

The Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》) (the “**Measures on Medical Devices**”), which was promulgated by CFDA on July 30, 2014 and amended on November 17, 2017, applies to any business activities of medical devices as well as the supervision and administration thereof conducted within the territory of the PRC. Pursuant to the Measures on Medical Devices, CFDA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Medical devices are divided into three classes depending on the degree of risks of medical devices. Entities engaged in distribution of Class III medical devices shall obtain a medical device operating license and entities engaged in distribution of Class II medical devices shall complete filings with the competent local MPA, while entities engaged in distribution of medical devices of Class I are not required to conduct any filing or obtain any license.

#### **Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)**

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000, last amended and became effective on June 1, 2021, for Class I medical devices, the record-filing management shall be implemented, while for Class II and Class III devices, the registration management shall be implemented. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the relevant authority. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (《醫療器械經營許可證》).

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### REGULATIONS ON MEDICAL TEST LABORATORY

#### **Notice of the National Health and Family Planning Commission on Printing and Distributing Basic Standards and Management Norms for Medical Laboratory (Trial)** (《國家衛生計生委關於印發醫學檢驗實驗室基本標準和管理規範(試行)的通知》)

Pursuant to the Basic Standards and Management Norms of Medical Laboratory (Trial) (《醫學檢驗實驗室基本標準和管理規範(試行)》), promulgated by NHFPC and effective from July 20, 2016, a medical test laboratory, which conducts clinical tests for the purpose of diagnosis, management, prevention or treatment of diseases and health assessment, shall be regulated as a medical institution. The establishment and operation of a medical test laboratory shall apply for an approval from NHC or its local counterparts to obtain a medical institution practicing license.

#### **Measures for the Administration of Clinical Laboratories in Medical Institutions** (《醫療機構臨床實驗室管理辦法》)

Measures for the Administration of Clinical Laboratories in Medical Institutions (《醫療機構臨床實驗室管理辦法》) which was promulgated on February 27, 2006 and revised on July 10, 2020 by NHC, stipulates that the medical inspection laboratories shall establish and operate a medical inspection quality management system, abide by relevant technical specifications and standards, including standard operating procedures for medical inspection items, standard operating and maintenance procedures for inspection instruments, performance verification or confirmation procedures, etc., and continuously improve inspection quality. Among all, the clinical laboratories of medical institutions shall participate in the inter-laboratory quality evaluation of clinical laboratory organized by the inter-laboratory quality evaluation institution.

#### **The Measures for the Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions** (《醫療機構臨床基因擴增檢驗實驗室管理辦法》)

The Measures for the Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》) as promulgated by the MOH in December 6, 2010, provides the requirements for medical institutions to carry out clinical gene amplification test techniques. A clinical gene amplification testing laboratory refers to a laboratory that detects specific DNA or RNA by amplification to perform disease diagnosis, treatment monitoring and prognosis determination. The MOH is responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions nationwide. The health administrative authorities at the provincial level are responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions within their respective administrative regions. This regulation also provides the examination and establishment of clinical gene amplification testing laboratories, laboratory quality management and laboratory supervision and management.

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### **Regulation on the Bio-safety Management of Pathogenic Microbe Labs (《病原微生物實驗室生物安全管理條例》)**

Regulation on the Bio-safety Management of Pathogenic Microbe Labs (《病原微生物實驗室生物安全管理條例》) which was promulgated by State Council of the PRC on November 24, 2014 and amended on March 19, 2018, stipulates that the state implements classified management of pathogenic microorganisms and classified management of laboratories. The state implements unified laboratory biosafety standards. According to the laboratory’s biosafety protection level for pathogenic microorganisms, and in accordance with the provisions of the national laboratory biosafety standards, the laboratory is divided into level 1, level 2, level 3 and level 4. Level I and Level II laboratories are not allowed to engage in highly pathogenic microorganism experiments. Level 3 and Level 4 laboratories shall be approved by the laboratory state.

### **Catalogue of Clinical Examination Items in Medical Institutions (《醫療機構臨床檢驗項目目錄》) & Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》)**

Pursuant to the Catalogue of Clinical Examination Items in Medical Institutions (《醫療機構臨床檢驗項目目錄》) promulgated by NHFPC on June 4, 2007 and amended on August 5, 2013, a medical test laboratory shall register its clinical testing items with the NHC at the provincial level after technical verification passed by the center for clinical laboratories at the provincial level. In addition, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》), promulgated by the NHFPC on February 25, 2016, for clinical examination items that are not listed in the Catalogue of Clinical Examination Items in Medical Institutions, but have clear clinical significance, good specificity and sensitivity, and reasonable price and benefit, they should be demonstrated in time to meet clinical needs. In the process of introducing new clinical examination items, medical institutions shall reasonably set up examination procedures, optimize procedures, improve efficiency, and facilitate the timely application of examination items that meet clinical needs.

## **REGULATION OF MEDICAL TECHNOLOGIES**

Pursuant to the Administration Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》) promulgated by NHC on August 13, 2018 and effective from November 1, 2018, a negative list will be set up regarding the clinical application of medical technologies, which are classified into two categories: “restricted” and “prohibited.” Any medical institution shall refrain from conducting any clinical application of medical technologies that fall within the “prohibited” category, while a medical institution which engages in clinical application of medical technologies falling within the “restricted” category shall file with the NHC or its local counterpart within fifteen working days after the first clinical application of such technologies.

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### REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

#### **The Law on Practicing Physicians of the People’s Republic of China (《中華人民共和國執業醫師法》)**

Pursuant to the Law on Practicing Physicians of the People’s Republic of China (《中華人民共和國執業醫師法》) promulgated by the SCNPC on June 26, 1998, became effective on May 1, 1999 and amended on August 27, 2009, medical physicians in the PRC must obtain licenses of medical professional qualifications. Qualified physicians and assistant physicians must register with the relevant health administrative authorities at county level or above. After registration, physicians may practice in medical institutions of their registered location under the type of registered specialty to provide the relevant medical, preventive or healthcare services.

#### **Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》)**

Pursuant to the Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practicing Certificate (醫師執業證書) before they commence practice and, those who are not registered or have not obtained the Physician Practicing Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practicing physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and medical institutions where the physician is practicing. For practicing physician who wants to practice in multiple institutions within the same place of practice, he/she shall determine a specific institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution’s operation; as to other institutions where the practitioner is to practice, the practising physician shall apply the record filing with the health authorities competent to approve the institutions’ operation and indicate the name of the institutions.

#### **Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health (《關於印發<推進和規範醫師多點執業的若干意見>的通知》)**

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from MOH (《關於印發<推進和規範醫師多點執業的若干意見>的通知》) promulgated by 5 departments, including the NHFPC, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practicing at multiple sites. Physicians practicing in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practicing physicians practicing outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

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### **Regulations on Nurses (《護士條例》)**

Pursuant to the Regulations on Nurses (《護士條例》) promulgated by the State Council on January 31, 2008 and became effective on May 12, 2008 and amended on March 27, 2020, a nurse must obtain the Nurse Practising Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

### **Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》)**

Pursuant to the Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》) promulgated by the MOH on May 6, 2008 and became effective on May 12, 2008 and amended on January 8, 2021, nurses must register and obtain the Nurse Practising Certificate before they practice nursing at the registered practicing place.

### **Regulations on Medical Institutions Rendering Remote Medical Services**

The Opinions on Promoting Telemedicine Services in Medical Institutions (《關於推進醫療機構遠程醫療服務的意見》) which was promulgated by NHFPC on August 21, 2014, require medical institutions to actively promote the development of telemedicine services as an important means to optimize the allocation of medical resources, realize the subsidence of high-quality medical resources, establish a graded diagnosis and treatment system, and solve the problem of difficult medical treatments for the masses.

On July, 17, 2018, NHC and NATCM jointly issued the Administrative Regulations on Remote Medical Services (Trial) (遠程醫療服務管理規範(試行)) (the “**Remote Medical Services Regulations**”).

The Remote Medical Service Regulations regulate the following two scenarios of remote medical services:

- (a) upon the invitation of another medical institution (the “inviting institution”), one medical institution (the “invited institution”) provides medical related technical services to the patients of the inviting institution by means of information technology (e.g. telecommunication, computer and Internet technology), and
- (b) the inviting institution or a third-party institution sets up an Internet remote medical services platform, and the invited institution registers itself as a medical institution on such platform. The inviting institution posts requests on the platform, and the invited institution or another medical institution responds to such requests on its own initiative or as per the matching of the platform and then provides medical related technical services to the patients of the inviting institution by means of information technology (e.g. telecommunication, computer and Internet technology).

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### REGULATIONS ON MEDICAL INCIDENTS

The Tort Liability Law of PRC (《中華人民共和國侵權責任法》), which was promulgated by the SCNPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a medical institution, its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. Medical institution shall liable and pay for the damage caused by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People’s Congress, which became effective on January 1, 2021 and simultaneously replaced the Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel is at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation, which further clarifies that either the medical institution or its medical personnel is at fault, the medical institution should bear the relevant responsibilities.

### Regulations on Prices of Medical Services

According to the *Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions* (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated and implemented on March 25, 2014 by the NDRC, the NHFPC and the Ministry of Human Resources and Social Security, the price of healthcare services provided by non-public medical institutions shall be set with reference to the market price. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-for-profit in nature shall set the price list for their healthcare services according to the *National Standard Price List of Healthcare Services* (《全國醫療服務價格項目規範》).

### The Regulations on Handling Medical Incidents (《醫療事故處理條例》)

The Regulations on Handling Medical Incidents (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

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### REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

#### **Environmental Protection Law of PRC (《中華人民共和國環境保護法》) and Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》)**

Pursuant to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the “**Environmental Impact Assessment Documents**”) for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction entity is prohibited from commencing construction works.

#### **Regulations on the Management of Medical Waste (《醫療廢物管理條例》), and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》)**

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institution shall register medical wastes, manage medical wastes under classification and undertake management of duplicate forms for transfer of hazardous waste in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and deliver medical wastes to an entity for centralized disposal of medical wastes and licensed by a relevant environment protection administrative department for dispose. Sewage generated by any health institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions, and shall not be discharged into sewage disposal systems until the discharging standards are met.

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### REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (2015 version) (《電信業務分類目錄(2015年版)》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the “MII”, which is the predecessor of the MIIT) on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services. Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定(2016修訂)》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business, provided such investor is a major one among the foreign investors investing in a value-added telecommunications enterprise in China. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals, for its commencement of value-added telecommunication business in China.

#### Regulations on the Provision of Internet Content Services

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services and a commercial operator of Internet content provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Business Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 5, 2009 and amended on July 3, 2017, became effective on September 1, 2017, regulate a commercial operator of value-added telecommunications services must first obtain a value-added telecommunications business operating license, from the MIIT or its provincial level counterparts.

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### REGULATIONS ON FOREIGN INVESTMENT IN CHINA

#### **Company Law of the People’s Republic of China (《中華人民共和國公司法》)**

The Company Law of the People’s Republic of China (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 and came into effective on July 1, 1994, amended on December 25, 1999 and came into effective on the same day, amended on August 28, 2004 and came into effective on the same day, amended on October 27, 2005 and came into effective on January 1, 2006, amended on December 28, 2013 and came into effective on March 1, 2014, amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

#### **Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》)**

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”), which became effective on January 1, 2020. According to the FIL, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

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### Catalogue of Industries for Guiding Foreign Investment and Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資產業指導目錄》及《外商投資准入特別管理措施(負面清單)》)

The Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂)) (“**2017 Catalog**”) was promulgated by the NDRC and the MOC on 28 June 2017 with effect from 28 July 2017. For the purpose of regulating foreign investment, the 2017 Catalog divides all industries into two categories, namely: (a) industries where foreign investment is encouraged; and (b) industries subject to special administrative measures for access of foreign investment. On 28 June 2018, the NDRC and the MOC jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (“**Negative List**”), with effect from 28 July 2018, to replace the previous list of industries subject to special administrative measures for access of foreign investment under the 2017 Catalog. The Negative List is amended from time to time and the recent revision was published on 23 June 2020. Unless otherwise provided in the PRC Laws, foreign investment in areas not listed on the Negative List is permitted and treated equally as domestic investment. On December 27, 2020, the MOC and the NDRC jointly promulgated the Catalog of Industries Encouraging Foreign Investment (2020) (《鼓勵外商投資產業目錄(2020年版)》), which became effective on January 27, 2021 and replaced the previous list of the industries where foreign investment is encouraged under the 2017 Catalog. The latest revision to the Negative List was published on 27 December 2021 (the “**2021 Negative List** or the “**Negative List on Access to Foreign Investment**”). According to the 2021 Negative List, the genetic testing business engaged in by the Company still falls within the scope of “development and application of genetic diagnosis and treatment technologies” in the “prohibited category” for foreign investment. Article 6 of the Interpretation Note of the 2021 Negative List (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, and the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” However, the 2021 Negative List itself does not provide a clear definition of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List, or an explicit guidance of its scope, in particular, whether a company’s listing with a VIE structure falls within its scope for the purpose of Article 6.

On December 27, 2021, a spokesman from the NDRC held a press conference in relation to the 2021 Negative List. During the conference, it was held that the supervision and administration of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List shall be led by CSRC and the CSRC will seek the view of the competent authority in the relevant industry or sector after receipt of the application materials for an “overseas listing” (“境外上市”). On January 18, 2022, another press conference was held by the NDRC to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking

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a direct overseas issuance and listing. As such, our PRC Legal Advisers are of the view that a listing adopting VIE structure through contractual arrangement, such as ours, does not fall within the scope of Article 6. Although the Draft VIE Regulations were issued on December 24, 2021, as of the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by either the CSRC or other relevant industry authorities in effect that would explicitly require the Company to comply with any approval, verification or filing procedures for the [REDACTED]. Our PRC Legal Advisers advised that the [REDACTED] is not required to obtain the examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect.

### **Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) and its Supplementary Provisions**

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

### **Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》)**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009 (the “M&A Regulations”), requires that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

## **REGULATIONS RELATING TO LAND USE RIGHTS OF REAL ESTATE PROPERTY**

According to the Civil Code of the PRC (《中華人民共和國民法典》), properties referred to in this law include real estate property and personal property. The creation, alteration, transfer or termination of the property right of real estate property shall be subject to registration in accordance with the law. The certificate of ownership of real estate property shall be the evidence for the rights holder’s ownership of real estate. Construction land use rights may be created through assignment or allocation, as well as other means. Where

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construction land use rights are created through invitation to tender, auction, agreement, or other means, the parties concerned shall enter into a written contract regarding the assignment of such rights. In order to establish construction land use rights, registration shall be completed with the registrar. A holder of construction land use rights shall reasonably use the land and may not alter the purpose of land use.

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), the land of the PRC is subject to the socialist public ownership, namely, ownership by the whole people or collective ownership of the working people. The State shall prepare an overall land utilization plan to specify land use, classifying land into agricultural land, construction land, or unused land. Any entity or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilization plan. Any entity or individual that needs land for the purposes of construction must apply for the use of state-owned land in accordance with law. Construction entities utilizing state-owned land shall generally obtain said land by means of compensation such as assignment. When using state-owned land, construction institutions shall do so according to the stipulations of the land use right assignment contract or according to the provisions of the approval documents relevant to the allocation of land use rights.

### REGULATIONS ON FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), or the Foreign Exchange Administration Rules. The Foreign Exchange Administration Rules were promulgated by the State Council on January 29, 1996 and became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of State Administration of Foreign Exchange, or SAFE, for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

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According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular No. 37, which is promulgated on July 4, 2014 and with effect from the same day, (i) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the overseas SPV, including, among other things, a change in the overseas SPV's PRC resident shareholder, name of the overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division.

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented on June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

### REGULATIONS ON INTELLECTUAL PROPERTY

#### Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 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》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

#### Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 last amended and became effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and further amended of December 21, 1992, June 15, 2001, December 28, 2002, January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years and the duration of a

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patent right for utility models and designs shall be 10 years, both commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

### Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) last amended and became effective on June 1, 2021, Chinese citizens, legal person or any other organization shall be entitled to copyright of its work by this law whether or not such work is published or not. Copyright covers the following forms of creative works: literature, art, natural science, engineering technology works, writing, narration, music, drama, opera, dance and acrobatic works, fine art and architectural works, photography, films and cinematography works, drawings of engineering designs and product designs, maps, illustrations other graphic works and model works; computer software and other works as prescribed by laws and administrative regulations. Perpetrator infringing on copyright or copyright related rights shall be held liable for actual damage to obligee, and may be fined, and the illegal income, pirate copies and properties used for illegal activity may be confiscated.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

### Domain Name

Pursuant to the Internet Domain Name Management Measures (《互聯網域名管理辦法》) released by the MIIT on August 24, 2017 and effective from November 1, 2017, domain name registration shall be conducted through domain name registration management service institutions, on the basis of “first apply first register”, unless otherwise specified by the implementation rules for a particular domain name. Domain name registration management service institution should enter into individual domain name registration agreement with applicant. Domain name holder should notify domain name registration management service institution any alteration in registration information other than that of the holder and apply for registration information change within thirty days after the alteration according to alteration recognition method selected at application.

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### Regulations Related to Data Protection

The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), which was promulgated by the NHC and came into force on July 20, 2016, provides that medical laboratories must establish information management and patient privacy protection policies. The Measures for the Administration of General Population Health Information (for Trial Implementation) (《人口健康信息管理辦法(試行)》) as promulgated by the NHC in 2014 sets forth the operational measures for patient privacy protection in medical institutions. The measures regulate the collection, use, management, safety and privacy protection of general population health information by medical institutions. Medical institutions must establish information management departments responsible for general population health information and establish quality control procedures and relevant information systems to manage this information. Medical institutions must adopt stringent procedures to verify the general population health data collected, timely update and maintain the data, establish policies on the authorized use of this information, and establish safety protection systems, policies, practice and technical guidance to avoid divulging confidential or private information.

### REGULATIONS RELATING TO DATA SECURITY AND PERSONAL INFORMATION PROTECTION

#### Data Security

On April 13, 2020, the Cyberspace Administration of China, the NDRC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Review Measures**”), which became effective on June 1, 2020. The Review Measures establishes the basic framework for national security reviews of network products and services and provides the principal provisions for undertaking cybersecurity reviews. On December 28, 2021, the Cyberspace Administration of China, jointly with the relevant authorities, published the Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》), which took effect on February 15, 2022 and replaced the Review Measures and stipulates that operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the “Operators”) carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review. Pursuant to the Measures for Cybersecurity Review (2021), any operator who controls more than one million users’ personal information must go through a cybersecurity review by the cybersecurity review office if it seeks to be listed in a foreign country.

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”) on June 10, 2021, which came into effect on September 1, 2021. The Data Security Law applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Where data processing activities outside the territory of the PRC damage national security, public interests or the legitimate

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rights and interests of PRC citizens and organizations, such activities shall be subject to legal liabilities. The PRC would also establish a data security review system, under which data processing activities that affect or may affect national security shall be reviewed. According to the Data Security Law, whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security. Important data shall also be categorized and protected more strictly. The Data Security Law also requires formulating the important data catalogs to enhance the protection of important data. As of the Latest Practicable Date, Chinese governments did not promulgate the important data catalogs or establish the measures for the cross-border transfer of import data.

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 Ministry of Industry and Information Technology, the Cyberspace Administration for China and the Ministry of Public Security on July 12, 2021 and came into effect 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 Ministry of Industry and Information Technology 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 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 came into 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

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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. Since the Group is not operator of critical information infrastructure, the Safe Protection Regulations is inapplicable to the Group.

### Personal Information Protection

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), issued on August 20, 2021 by the SCNPC, provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected. Personal information processors who use personal information on automated decision-making must ensure the transparency of decision-making and the fairness and impartiality of the results and may not impose unreasonable differential treatment in terms of transaction prices and other transaction conditions. In addition, cross-border personal information transmission is restricted unless certain requirements in the Personal Information Protection Law have been satisfied, including security review organized by the national cyberspace department and other conditions specified by the laws, regulations and the national cyberspace department.

### REGULATIONS RELATING TO OVERSEAS LISTING

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) (“**Draft VIE Regulations**”). The Draft VIE Regulations required that a PRC domestic enterprise seeking to issue and list its shares overseas shall complete the filing procedures and submit the relevant information to CSRC. The Draft VIE Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity structure through contractual arrangements. As of the Latest Practicable Date, the Draft VIE Regulations were in draft form and had not come into effect.

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### REGULATIONS ON TAX

#### Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) effective from January 1, 2008 and amended on December 29, 2018 and the Implementation Provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) effective on January 1, 2008 and amended on April 23, 2019, companies are classified into resident companies and non-resident companies. Enterprise Income Tax rate is 25%, or 20% for non-resident company which hasn't set up organization or operating site, or its income from established organization or operating side is not really connected to such organization or site, judging by the source of its income within China territory. High and new technology company encouraged by the government shall be accorded with 15% income tax.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Companies (《關於實施高新技術企業所得稅優惠政策有關問題的公告》) released on June 19, 2017 by State Administration of Taxation or the SAT, company qualified as high or new technology company shall entertain preferential tax from the year indicated on the certificate for high and new technology company, and file for registration with taxation agency of jurisdiction according to relevant provisions. On expiration of the qualification as high and new technology company, income tax shall be temporarily levied pursuant to a rate of 15% before renewal of the qualification; if such qualification shall not be obtained before the end of the year, the shortage shall be made up according to relevant provisions.

#### Withholding Income Tax

Pursuant to the Arrangement between Inland and Hong Kong S.A.R. Regarding Avoidance of Double Taxation on Income and Prevention of Tax Evasion agreed between SAT and Hong Kong S.A.R. (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on August 21, 2006, and four conventions implemented as of June 11, 2008, December 20, 2010, March 9, 2016 and December 6, 2019, if Hong Kong resident holds at least 25% of the registered capital of a company in China, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 5%. In all other cases, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 10%.

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### Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) last amended on November 19, 2017, and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance, or the MOF and last amended on October 28, 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax, or the VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from May 1, 2016. Medical services provided by medical institutions shall be exempted from the VAT.

Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) issued by the MOF and SAT on April 4, 2018 and effective on May 1, 2018, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 17% and 11% to 16% and 10%.

On March 20, 2019, the MOF, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Announcement 39, which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (i) the 16% or 10% VAT previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (ii) the 10% purchase VAT credit rate allowed for the procured agricultural products is reduced to 9%; (iii) the 13% purchase VAT credit rate allowed for the agricultural products procured for production or commissioned processing is reduced to 10%; and (iv) the 16% or 10% export VAT refund rate previously granted to the exportation of goods or labor services is reduced to 13% or 9%, respectively.

## REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

### Employment

The relevant labor laws in China include the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Measures for Company Employee Birth Insurance (1995) (《企業職工生育保險試行辦法》), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other laws and regulations released from time to time by relevant governmental departments.

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Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) implemented on January 1, 1995 and last amended on December 29, 2018 by the SCNPC, enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carryout work safety and health education for workers. Working safety and health facilities must meet national standard. Enterprises and institutions must provide workers with working safety and health conditions meeting national provisions and relevant articles on labor protection.

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) effective from January 1, 2008 and amended on December 28, 2012 by the SCNPC, or the Labor Contract Law, enterprise or organization which will establish or has established employment relationship with workers should make it official with written employment contract. No enterprise or institution may force workers to work over time, and employer should pay over-time fee to workers in line with relevant national provisions.

Pursuant to the Interim Provisions on Labor Dispatch and the Labor Contract Law (《勞務派遣暫行規定》), which were implemented by the Ministry of Human Resources and Social Security on March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only which shall not exceed 10% of the total number of its workers. If the employer violates the relevant labor dispatch regulations, the labor administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, penalty shall be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

### **Social Insurance and Housing Provision**

Pursuant to the Work-related Injury Insurance Regulations (《工傷保險條例》) effective from January 1, 2004 and amended on December 20, 2010 by the State Council, and Provisional Measures for Enterprise Employee Birth Insurance (《企業職工生育保險試行辦法》) released on December 14, 1994 by Labor Ministry (now the Ministry of Human Resources and Social Security), the Decision on the Establishment of Unified Basic Pension System for Enterprise Employees (《關於建立統一的企業職工基本養老保險制度的決定》) released on July 16, 1997 by the State Council, the Decision on the Establishment of Basic Medical Insurance System for Urban Employees (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998, the Regulations on Unemployment Insurance (《失業保險條例》) released by the State Council on January 22, 1999, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) released by the State Council on January 22, 1999 and amended on March 24, 2019, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective from July 1, 2011, and amended on December 29, 2018 by the SCNPC, employer should purchase social insurance policies for employees, including basic pension policy. Basic medical insurance policy, unemployment insurance policy, maternity insurance policy and work-related injury insurance policy. Employer failing to make timely and full payment for social insurance shall be demanded by social security authority of

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jurisdiction to furnish payment plus overdue surcharge within designated time period. If such employer shall fail to make up for overdue payment within designated time period, related administrative department shall enforce punitive measures on the employer.

Pursuant to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) released in 1999 and last amended on March 24, 2019 by the State Council, enterprises should file for housing provision payment registration with housing provision management center, and set up housing provision account for employees at trusted bank after audited by the center. Enterprises should make timely and full payment for employee housing provision.