

# HONOR Developers Merchant Service Agreement

Last modified: July 12 2023

The following terms and conditions (hereinafter referred to as this "Agreement") constitute a legally binding agreement concluded and entered into by and between You and HONOR, which enables You to offer Paid Products to End Users ("Users") by using HONOR's Merchant Services via Honor Platforms. This Agreement is a supplementary agreement to the [HONOR Developers Service Agreement](#) made and entered into by and between You and HONOR, and together with the latter govern Your use of HONOR's Merchant Services. By registering for the services under this Agreement, or clicking "Submit" button below this Agreement (or any other similar button) or using Merchant Services, You are agreeing to be bound by the terms of this Agreement from the date of such registration, acceptance, or use ("Effective Date").

Any matters not addressed herein shall be subject to the [HONOR Developers Service Agreement](#). In the event of any conflict between the terms of this Agreement and the [HONOR Developers Service Agreement](#), the terms of this Agreement shall prevail only to the extent of such conflict relating to Merchant Services.

## 1. Definitions

Capitalized terms not defined herein shall have the meanings ascribed to them in the [HONOR Developers Service Agreement](#). The following terms shall have the following meanings when used in this Agreement:

1.1 **"Digital Content Product"**: refers to the information content distributed based on digital format switching by Developers on the HONOR Distribution Platform. Combining digital technologies and cultural creatives, it is the product or service that integrates images, texts, and movies by digital technologies.

1.3 **"In-App Purchase Product" or "IAP Product"**: refers to the purchase of digital content, advanced features, or other value-added services by Users during the use of an installed App. Payments are made by Users within the App ( "In-App Purchase" or "IAP" ).

1.4 **"Merchant Services"**: means the HONOR Services that HONOR provides to Developers, through which Developers provide Paid Products via Honor Platforms. Merchant Services include but are not limited to Distribution Services for Paid Products and HONOR Themes Services.

1.6 **"Paid Product"**: means a Product requiring End Users to pay a fee to access and/or download, including but not limited to PPD Products, IAP Products, and other paid Digital Content Products.

1.7 **"Pay-Per-Download Product" or "PPD Product"**: means a Product that can be viewed, downloaded, and/or used after payment.

1.8 **"Price"**: means the price set or selected by You at Your sole discretion from the list of Price Bands provided by HONOR.

1.9 **"Price Bands"**: means the price bands set by HONOR for the sale of Products on Honor Platforms.

1.10 **"Payment Transaction"**: means the processing of a payment through the Merchant Services for User to purchase Paid Products and for Developer to receive Remittance Value relating to the sales of such Paid Products or ads fees by paid advertisers.

1.11 **"Settlement Account"**: means the deposit account of Developer maintained at a financial institution located in Developer's country /region of registration that is designated by Developer for receipt of funds from the processing of Payment Transactions through wire transfer or other forms of electronic funds transfer (collectively "EFT").

## 2. Pricing and Payment Channels

### 2.1 Pricing

The Paid Products shall be provided to Users at the Price set by You. The Price You set or selected shall include all of the applicable taxes, such as the withholding value added tax (VAT), goods and services tax (GST), service tax, sales tax, and other applicable indirect taxes and surcharges (hereinafter collectively referred to as "Indirect Taxes") as well as the User Withholding Tax (User WHT) and other applicable taxes such as Digital Service Tax. The Price You set or selected for such Paid Products shall apply in all countries and regions that You select for distributing such Products and You shall have an entitlement to be paid in accordance with Clause 4.1.

Developer may only use the relevant Merchant Services provided by HONOR to process a Payment Transaction for a Paid Product that is purchased by a User through a legitimate, bona fide sale of such Product.

### Your 2.2 Payment Channels

All payment channels (including phone credit payment) are enabled by default when You choose to provide Users with Paid Products to Users (refer to Exhibit B for a list of all payment channels and their respective channel deductions).

## 3. Taxation

3.1 If You provide Paid Products to Users through HONOR, You agree that the following shall apply:

3.1.1 Indirect Taxes:

(a) For Paid Products, other applicable indirect taxes and surcharges will be deducted and remitted by HONOR in accordance with Exhibit C unless HONOR deems that such Indirect Taxes shall be paid by carrier when User makes the payment using phone credit or HONOR is not responsible for paying such Indirect Taxes according to applicable tax laws and regulations in certain countries/regions.

If You plan to distribute Your Products in Russian Federation listed in Part III Exhibit A, You are responsible for paying such Indirect Taxes according to applicable tax laws and regulations when You are a tax resident of Russia.

(b) Any payment made by HONOR to You is tax-inclusive. If applicable laws require that a payment made by HONOR to You is subject to VAT and surcharges, HONOR will deduct the correct amount of such Indirect Taxes from said payment to You. If HONOR believes that such Indirect Taxes are due, HONOR will withhold the full amount thereof and pay it to the competent authorities.

3.1.2 Direct Taxes

(a) User withholding tax ("User WHT"): If any amount of the Price is subject to withholding taxes or similar taxes, or if a third-party operator/carrier/agent is required to withhold taxes when Users make payments through their channels, then HONOR will deduct an amount equal to such withheld taxes from the payment to You.

(b) If local law requires that any payment made by HONOR to You is subject to withholding tax ("WHT") and relevant surcharges, the full amount of that WHT and relevant surcharges shall be borne by You. If HONOR believes that such tax is due, relevant surcharges shall be borne by You and HONOR will pay the full amount to the relevant authorities. HONOR will pay the WHT at a preferential tax rate (which is feasible under applicable tax treaty or on other reasonable grounds), provided that You provide relevant information and materials proving that You are entitled to said preferential tax rate under said tax treaty or under applicable local laws before HONOR pays such WHT to the competent authorities and leave HONOR sufficient time to implement said preferential tax rate. HONOR will provide You with confirmation of WHT paid over to the relevant tax authorities on Your behalf (which may include WHT certificates if appropriate or available) should You request such information.

(c) If the laws of the country where You are located levy WHT and surcharges upon relevant HONOR Services provided to You, You shall be obligated to withhold and pay such WHT and surcharges to competent authorities. You may apply to HONOR to reimburse such WHT and surcharges by providing HONOR with the certificate of Your payment of such WHT and surcharges. Nevertheless, in the event of any taxes that You or HONOR shall pay as required by tax authorities due to Your failure to withholding and paying such taxes in accordance with applicable laws and regulations, You shall bear and pay such taxes in full as well as any and all surcharges, late fees, interest, and fines imposed by the tax authorities.

3.1.3 Other Taxes included

In addition to the Indirect Taxes and WHT, any and all applicable income taxes, business taxes, property taxes, and any other taxes relating to Your business income shall be borne by You and You are responsible for the declaration and payment of the preceding taxes.

Your Your 4. Settlement

4.1 Settlement of Service Charges

Each sale of Your Paid Products on Honor Platforms shall be calculated in accordance with the following table:

| Calculation of Settlement to Developer |   |   |
|--|---|---|
| Price                                  | The price set or selected by Developers at their sole discretion from the list of Price Bands provided by HONOR, with all applicable taxes included (such as VAT) | Covering all payment methods  |
|  | ( i ) Discounts   | Refer to Note (1) as below  |
|  | ( ii ) Indirect Taxes at applicable rate  | HONOR deducts applicable Indirect Taxes (defined in Clause 3.1.1(a)) due on the Indirect Taxes inclusive Price paid by User and will remit such taxes to the appropriate tax authorities. For the avoidance of doubt and notwithstanding anything to the contrary herein, HONOR may change the rules related to aforesaid tax deduction(s) if the applicable tax laws are changed and You shall bear any liabilities in connection therewith. |

|  |   |  |
|--|---|--|
| Less Deductions  | ( iii ) Refunds to Users  | Subject to terms and conditions as described in Clause 6 hereof.   |
|  | ( iv ) Channel deduction  | Equals to Price multiplied by applicable Channel Deduction Rate as set out in the Exhibit B.   |
|  | ( v ) Loss caused by fraudulent transactions  | When fraudulent transactions caused consumers refused to pay, the amount of the loss shall be deducted from the Settlement Amount.   |
| =Gross Revenue Reference Amount (GRRRA)                              | This is the revenue balance after Deductions  | /  |
| Less HONOR Service Charges   | The percentage of the GRRRA to be paid to (or retained by) HONOR  | The Service Charges percentage (X%) expressly provided in related agreement (s) for specific Paid Products concluded between Developer and HONOR   |
| The GRRRA Balance or Revenue Amount Before Taxes                     | The balance of the GRRRA remaining after deduction of the HONOR’ s Service Charges, available to be paid to Developer | /  |
| Less Taxes (if the withholding VAT or Withholding Tax is applicable) | Any applicable VAT on the payment to Developer or WHT will be deducted from the GRRRA Balance                         | (i) User WHT defined in Clause 3.1.2(a); (ii) HONOR will deduct applicable VAT (defined in Clause 3.1.1(b)), surcharges, and WHT (defined in Clause 3.1.2(b)) in accordance with the then-current applicable tax laws. For the avoidance of doubt and notwithstanding anything to the contrary herein, HONOR may change the rules related to aforesaid tax deduction(s) if the applicable tax laws are changed and You shall bear any liabilities in connection therewith. |
| =Remittance Value  | GRRRA Balance less Taxes (if the withholding VAT or Withholding Tax is applicable)                                    |  |

Notes (which constitutes as an integral and binding part of this Agreement):

- (1) Discounts: For the purpose of the Settlement calculation, the Price will be deducted by any applicable Discounts redeemed by the User in accordance with Clause 4.1 including but not limited to coupons and vouchers, and discounts unless otherwise as agreed by the Parties in writing. Such Discounts will be granted to Users as part of promotional activities on related Honor Platforms and/or in relation to devices sales, where devices sales refer to HONOR and/or its affiliates' branded mobile handsets and accessories.
- (2) Channel Deduction: The channel deduction is charged at a certain percentage of the Price and depends on the payment method selected by the User in the region.
- (3) After the Discounts, indirect Taxes at applicable rate, refunds by the users, Channel Deduction and loss caused by payment fraud, the resulting balance is the gross revenue reference amount ("GRRRA").
- (4) After deduction of any applicable taxes in accordance with Note (5), the remaining amount of the GRRRA Balance is available to be paid to the Settlement Account that You provided when You applied for the Merchant Services.
- (5) Where VAT, WHT or other Taxes apply by law to the payment of the GRRRA Balance proposed to be made by HONOR to You, such Taxes will be deducted prior to any payment to You.

#### 4.2 Settlement Period

Under this Agreement, each calendar month (Beijing time, UTC /GMT+08:00) is a settlement period ("Settlement Period"). For each Settlement Period, HONOR will calculate a Remittance Value according to Clause 4.1, as applicable.

#### **4.4 Applicable Period**

For Products purchased by Users using phone credit, the applicable period shall be the calendar month two months prior to the applicable Settlement Period and, for Products purchased by Users not using the phone credit, the applicable period shall be the calendar month prior to the applicable Settlement Period ("Applicable Periods"). For example, if the Settlement Period is June, the applicable period for Users who make purchase using their phone credit shall be April and, the applicable period for Users who make purchase NOT using their phone credit, shall be May.

#### **4.4 Reconciliation of Discrepancy**

On the 15th day (Beijing time) of any Settlement Period, HONOR shall provide You with details of how HONOR calculated the Remittance Value ("Settlement Report"). In the event of any discrepancies between Your data and HONOR's calculations of the Remittance Value, and such discrepancies are greater than or equal to 3% of the Remittance Value, You may request account reconciliation and file an objection within fifteen (15) calendar days upon Your receipt of the applicable Settlement Report. If You do not file an objection within the said period, You are deemed to have agreed with the Settlement Report.

#### **4.5 Invoicing**

Invoices shall be dealt with in accordance with Exhibit C.

#### **4.6 Payment**

The Remittance Value of corresponding Settlement Period shall be paid in accordance with this Clause 4 to the Settlement Account that You provided when You applied for the Merchant Services on the Website. Payment will be made within thirty (30) calendar days after receipt of Your invoice or Your confirmation of the Remittance Value

If You issue an invoice to HONOR but fail to submit said invoice to HONOR as required by Exhibit C to this Agreement, You shall assume any and all losses and liabilities arising therefrom, including but not limited to interest losses, lawsuit fees, attorney's fees, inspection fees, traveling expenses, and other direct or indirect losses.

If the payment of the Remittance Value is rejected by Your bank for whatever reason, HONOR will deduct from next payment of Remittance Value to You the refund service fees charged by Your bank for said refund. If You fail to confirm the Settlement Report or submit the invoice when required within twelve (12) months starting from HONOR's issuance of the Settlement Report, this will be deemed as an agreement by You to waive of Your right under this Agreement (or at law) to payment and HONOR shall not be obliged to pay the corresponding portion of the Remittance Value.

#### **4.7 Settlement currency**

##### **4.7.1 Under this Agreement:**

(1) if You are registered in the same country/region of the applicable HONOR entity, the settlement currency shall be the legal currency of such country/region; CNY)

(2) if You are not registered in the same country/region of the applicable HONOR entity, the settlement currency shall be the currency You selected when You registered for Merchant Services; Your

(3) The settlement currency shall be internationally circulated and acceptable by HONOR.

4.7.2 If You signed with the applicable HONOR entity a separate offline supplementary agreement to this Agreement about certain Paid Products, the settlement currency shall be the one provided in such agreement. (The settlement currency shall be consistent with that is stipulated in Clause 4.7.1)

#### **4.8 Exchange Rate:**

(1) If the transaction currency of the country or region where the product is sold is different from the settlement currency which You had chosen, HONOR will use HONOR's exchange rate to convert it into the settlement currency and deduct the corresponding currency conversion fee, 1.5% of the conversion fee will be deducted for the conversion of USD, EUR, CNY and HKD; 3% of the conversion fee will be deducted for other currencies other than USD, EUR, CNY and HKD. HONOR's exchange rate is from Bloomberg. If the settlement currency differs from the currency of Your receiving account, the currency conversion will be made by an intermediary bank, and the exchange profit and loss and other handling fees shall be borne by You.

(2) If Your bank currency is different from the settlement currency, HONOR will convert the Remittance Value in Your bank settlement currency in accordance with the exchange rate published by Bloomberg at 10:00 a.m. in Beijing time on the last transaction day of preceding month according to the invoice date. If the local country has mandatory compliance requirements, the exchange rates released by the local central bank or other financial institutions will apply.

(3) For Russian Federation listed in Part III, then the exchange rate on the last transaction day of the preceding month according to the invoice date published by Central Bank of the Russian Federation will be applied.

**4.10 Tax treatment related to individual Developer:** This Clause applies to the situation where there is a withholding obligation for the income obtained by the individual Developer from the relevant distribution areas. HONOR will fulfill the corresponding withholding obligations in accordance with applicable tax laws and regulations.

## 5. VAT Deduction

If You have a liability to pay compensation (including that under any indemnity) to HONOR:

(1) If HONOR determines that the payment to HONOR is subject to VAT, then: HONOR may deduct the compensation/indemnity and applicable VAT directly from Your Remittance Value (the balance is "Actual Payment"), and You shall provide a VAT invoice (or HONOR self-billing invoice) based on Actual Payment to HONOR. If You have issued an invoice based on the amount before the compensation /indemnity is deducted from Remittance Value, You should issue a credit note for the invoice.

(2) If HONOR determines that the payment to HONOR is not subject to VAT, then: You should pay the compensation/indemnity to HONOR separately, and HONOR shall not provide invoices for such separate compensation/indemnity payments.

## 6. Refunds and Compensation

6.1 In the event that Your Paid Products are removed and displaced from Honor Platforms due to Your violation of the terms of the [HONOR Developers Service Agreement](#), or any term of this Agreement, or any supplementary agreement of the aforesaid agreements, and Users are entitled to claim any refund from you, or HONOR exercises its discretion to request a refund because a User has made a valid complaint about Your Paid Products or complained about identity theft or fraudulent transactions during payment, You authorize HONOR to refund on Your behalf based on HONOR's commercially reasonable judgment, and You shall compensate HONOR for any and all losses incurred therefrom.

6.2 Regarding such refunds:

(1) the refund amount to User shall only be the amount they actually paid less any Discounts applied to the Price ("User Refund");

(2) when a refund to User is made, the amount to be deducted reflecting such refund in the calculation of GRRA shall be User Refund with any creditable VAT relating to such refund; and

(3) You authorize HONOR to deduct the expenses and losses regulated in this section from all the payables to You.

## 7. Termination of This Agreement

7.1 Upon termination of the [HONOR Developers Service Agreement](#) by either Party, this Agreement shall terminate automatically. However, the termination of this Agreement by either Party will not result in the termination of the [HONOR Developers Service Agreement](#).

7.2 You may terminate this Agreement by notifying HONOR in writing of Your intention to cease offering or selling Paid Products, and consequently Your intention to terminate the Agreement.

## 8. Distribution Area and Signing Entities

Please refer to the Clause headed "Distribution Area and Signing HONOR Entities" in the [HONOR Developers Service Agreement](#).

## 9. Governing Law and Dispute Resolution

Please refer to the Clause headed "Governing Law and Dispute Resolution" in the [HONOR Developers Service Agreement](#).

### Exhibit A - List of Countries/Regions

Please refer to the Exhibit A in the [HONOR Developers Service Agreement](#) which is headed "List of Countries/Regions".

### Exhibit B - Deductions for Payment Channels

Payment channel deductions shall be deducted prior to the settlement between HONOR and You. There will be different payment channels available depending on the region. The Channel Deductions for each payment channel will also be dependent on the region. The actual Deductions or rates officially notified to You by HONOR from time to time shall prevail.

### Exhibit C - Invoice

1. If You distribute Your Products in the Chinese mainland as specified in Part I of Exhibit A:

1.1 For Paid Products, all applicable Indirect Taxes will be deducted by HONOR in accordance with China's taxation policies unless HONOR deems that the Indirect Taxes are liable to be paid by the operator when the User makes the payment using phone credit. HONOR shall provide Users with invoices in accordance with China's taxation policies and complete all applicable Indirect Tax declarations. You are not obliged to provide purchase invoices to Users in the Chinese mainland.

1.2 If You are a tax resident of the Chinese mainland, You must register Your VAT taxpayer status (i.e., ordinary taxpayer or small-scale taxpayer) and the VAT rate You will use when providing invoices to HONOR on this Website. If You are an ordinary VAT taxpayer, You must issue Chinese VAT-specific invoices to HONOR according to Your remittance value provided by HONOR. If You are a small-scale VAT taxpayer, You must issue VAT special invoices at a VAT rate of 3% to HONOR. If You are a natural person, HONOR shall withhold Your personal income tax. If You are a natural person, HONOR will withhold Your individual income tax, and You shall issue a VAT invoice to HONOR. will withhold Your individual income tax, and You shall issue a VAT invoice to HONOR. The VAT invoice that You issue to HONOR must comply with relevant tax laws. You shall assume any and all losses incurred due to Your un-qualified tax invoice.

1.3 If You are not a tax resident of the Chinese mainland, all VAT, surcharges, and income tax deducted from Your remittance value by HONOR as WHT in accordance with the provisions of applicable national tax laws and bilateral tax treaties shall be born by you. The final amount paid by HONOR to You is the remaining balance after deducting all relevant taxes. You must issue a commercial invoice to HONOR of the total settlement amount, including all withholding taxes (including VAT). The invoices that You issue to HONOR must conform to tax laws. In the event that You issue an invalid invoice, You shall bear any and all the liabilities and losses arising therefrom.

1.4 You must provide the invoice within five (5) business days of confirming the total settlement amount. HONOR shall arrange remittance after receiving Your invoice.

2. If You plan to distribute Your Products in a country or region listed in Part II、 Part III and/or Part IV of Exhibit A:

2.1 For Paid Products, all applicable Indirect Taxes will be deducted, collected, and remitted by HONOR to the relevant tax authorities according to the country where the supply takes place, unless HONOR deems that the Indirect Taxes are liable to be paid by the operator when the User makes the payment using phone credit, or HONOR is not responsible for paying such taxes according to applicable tax laws and regulations in certain countries/regions. HONOR shall provide Users with invoices in accordance with the relevant country's taxation policies and complete all applicable Indirect Taxes declarations in the country or region where HONOR is obliged. You acknowledge that You do not have the right to issue invoices to Users.

2.2 If You plan to distribute Your Products in a country or region listed in Part III   Exhibit A:

You must provide invoices to HONOR in compliance with the Russian tax law and the currency of the invoice should be in Ruble (RUB).

Invoices and the act of acceptance for HONOR’ s Service Charges and Agency report(Settlement report) should be prepared and signed by both party HONOR and Developer according to Clause 4.1 for fixing HONOR’ s   Service Charges and the balance of the GRRA remaining after deduction, available to be paid to Developer.

The Agency report will include the following information: The Price paid by User; Remittance Value; Deduction; HONOR Service Charges; Other basic information (if necessary). The content should be adjusted accordingly for practice.

2.3 You agree that HONOR will perform self-billing in accordance with Exhibit D and Exhibit E hereto and You will not be required to provide invoices to HONOR if You have a registered VAT number. Under such a circumstance, You must provide HONOR with Your VAT number during registration on the Website in order for HONOR to perform self-billing. If You have canceled Your VAT number or Your VAT number has changed, You must contact HONOR immediately. All input VAT deemed irrecoverable/output VAT assessed as due /interest or penalties imposed by a tax authority assessment due to Your failure to do so shall be borne by You.

2.4 Subject to the relevant laws of the distribution areas, if You are not VAT registered, HONOR shall issue a non-VAT invoice to HONOR on Your behalf.

**Exhibit D - Self-Billing Agreement (if applicable)**

This is an agreement to a self-billing procedure between

HONOR ( the self-biller) ) :   VAT Number:

and

Developer ( the self-biller) ) :   VAT Number:

HONOR agrees:

1. To issue self-billed invoices, Agency Report and/or the act of acceptance for all supplies made to them by the Developer until further notice.
2. To complete self-billed invoices showing the Developer's name, address, and VAT registration number, together with all the other details which constitute a valid VAT invoice.
3. To make a new self-billing agreement in the event that their VAT number changes or where they cease to be registered for VAT.
4. To inform the Developer if the issuance of self-billed invoices will be outsourced to a third party.

Developer agrees:

1. To accept invoices raised by HONOR on their behalf until further notice.
2. Not to issue any sales invoices for the transactions covered by this agreement.
3. To notify HONOR immediately if they:
  - (a) Change their VAT registration number;
  - (b) Cease to be VAT registered; or
  - (c) Sell their business, or part of their business

Exhibit E - Self-Billing Invoice Sample

Upon signing this Agreement, You agree to accept the self-billing invoice sample below.