
REGULATORY OVERVIEW

This section sets out a summary of the most significant aspects of laws and regulations in the PRC which are material to our business operations.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of our PRC companies are governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and last amended on December 29, 2023. Pursuant to the Company Law of the PRC, foreign-invested companies are also regulated by the PRC Company Law, unless where foreign-investment related laws provided otherwise.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated on March 15, 2019 and came into effect on January 1, 2020, sets out the regulatory framework for foreign investments and pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the “foreign investors”) shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally. It, together with its implementation rules, also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system where foreign investors or foreign-funded enterprises shall submit investment information to the competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Measures for Foreign Investment Information Reporting (《外商投資信息報告辦法》), which was promulgated on December 30, 2019 and came into effect on January 1, 2020, sets out the details of the foreign investment information report system. Since January 1, 2020, with respect to foreign investors carrying out investment activities directly or indirectly in the PRC, the foreign investors or foreign-funded enterprises shall submit investment information to the commerce authorities in accordance with these measures.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) promulgated on September 6, 2024, our business does not fall under such categories where foreign investment is restricted or prohibited.

REGULATION RELATING TO OUR INDUSTRY AND PRODUCT

Regulations Relating to Franchised Commercial Operation

Pursuant to the Regulations on the Administration of Commercial Franchising (the “Franchising Regulations”, 《商業特許經營管理條例》), which was promulgated and took effect on May 1, 2007, commercial franchising refers to business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary

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technology, or other business resources, licenses through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operations under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations sets forth the prerequisite requirements for the franchisors, including the possession of a mature business model, the capability to provide business guidance, technical support, and business training to the franchisees, and the ownership of at least two direct stores which shall have been in operation for at least one year in China. It also sets forth the requirements governing the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

Pursuant to the Administrative Measures on the Filing of the Commercial Franchise (《商業特許經營備案管理辦法》), which was promulgated and took effect on February 1, 2012, and last amended on December 29, 2023, within 15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor’s business registration, business resources, and the franchisee store network throughout China, the franchisor shall apply to MOFCOM for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to MOFCOM or its local counterparts.

Furthermore, the franchisor is required to implement information disclosure system. The Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), which took effect on April 1, 2012, provides a list of information that the franchisor shall disclose to franchisees in writing at least 30 days prior to the conclusion of the franchising agreements, except such agreements are renewed under the original terms.

Regulations Relating to Blind Boxes

The Compliance Guidelines for Blind Boxes Business Activities (for Trial Implementation) (the “Blind Boxes Guidelines”, 《盲盒經營行為規範指引(試行)》) was promulgated and effective on June 8, 2023. According to the Blind Boxes Guidelines, blind box business operators shall set fair prices for blind boxes, avoiding unmarked fees, overpricing, or price fraud. Blind box business operators are prohibited from indirectly induce consumption through arbitrarily adjusting the probabilities for a specific model being selected from a given blind box against the publicly disclosed probabilities, and altering the relevant selection outcome of a specific blind box. Blind box business operators shall not sell blind boxes to the minors under the age of eight. Where blind boxes are sold to the minors aged eight or above, the blind box business operators shall ensure the relevant guardians has agreed to the purchase. Blind box business operators shall publicize the key product details of the blind boxes to consumers, including product names, product categories, product specifications, the products potentially contained in a given box and the relevant price range, product selection rules which

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may set out the format of participation such as via online or offline method and probabilities for a specific model being selected, as well as the quantity of limited-edition products. Blind box business operators are encouraged to promise not hoarding, hyping, or entering the secondary market. In addition, for blind boxes sold via non-instant methods such as offline stores where the consumers will not know the selection outcomes until opening the blind box, blind box business operators must retain the records of selection rules and probabilities and establish a corresponding sampling inspection mechanism. For blind boxes sold through instant online methods, through which the consumers will know the selection outcome instantly, operators must retain the records of selection rules and probabilities and complete records of selection outcome. The relevant record retention time is generally not less than three years.

During the Track Record Period, some of our products were in the form of blind boxes. See “Risk Factors — Risks Related to Doing Business in the Countries We Operate — Government’s oversight and regulation over our business operations in various countries could result in a material change in our operations and the value of our Shares.” We have adopted various measures for blind boxes to ensure compliance with the relevant laws and regulations. In particular, we disclose key product information — such as the range of models available in a blind box and the probability of selecting each model — on our online platform homepage, product detail pages, and in prominent locations in our physical stores, ensuring consumers are fully informed before purchase. According to Frost & Sullivan, our measures and internal policies for blind boxes are in line with industry norms. As confirmed by our Directors and PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with the Blind Boxes Guidelines and had not been subject to any administrative penalties relating to the sale of blind box products. The Blind Boxes Guidelines did not have a material adverse effect on our sales and results of operations during the Track Record Period.

Regulations Relating to Pan-entertainment Product Retail

Pursuant to the Civil Code of the PRC (the “PRC Civil Code”, 《中華人民共和國民法典》), which was promulgated on May 28, 2020 and became effective on January 1, 2021, where the purpose of a contract cannot be achieved because the quality of the subject matter does not comply with the quality requirements, the buyer may refuse to accept the subject matter or terminate the contract. Where the buyer request to return the subject matter or terminate the contract in accordance with PRC applicable laws, the seller shall bear the risk of return of the payment to buyer and liquidation damages to the subject matter. The seller shall deliver the subject matter according to the agreed quality requirements. In case that the seller provides the quality specifications concerning the subject matter, the delivered subject matter shall comply with the quality requirements in such specifications. If the terms in relation to quality are not met, the liability for breach of contract shall be borne by the seller in accordance with the agreement between the parties.

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Regulations Relating to Pricing

According to the Pricing Law of the PRC (《中華人民共和國價格法》), promulgated on December 29, 1997, and became effective on May 1, 1998, business operators shall follow the principles of fairness, lawfulness and good faith in fixing prices. Business operators shall not commit any illegitimate price acts, such as colluding with others to manipulate the market price, thus harming the lawful rights and interests of other operators or consumers. Where a business operator commits any illegitimate price acts, such operator shall be ordered to make correction, and the illegal gains thereof shall be confiscated, a fine not more than five times the illegal gains may be imposed on such operator; if there are no illegal gains, such operator shall be given a warning and may also be fined; if the circumstances are serious, such operator shall be ordered to suspend the business for rectification, or have the business license thereof revoked by the administrative department for industry and commerce, or should such illegitimate price acts be otherwise subject to any penalties or punitive orders under other relevant PRC applicable laws, such laws shall also apply and business operators shall abide by such laws.

Regulations Relating to Consumer Protection

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), or the Consumers Rights and Interests Protection Law, which took effect on January 1, 1994 and was last amended on October 25, 2013, business operators must ensure product safety and provide authentic information; upon discovering defects endangering safety, they shall immediately report to relevant administrative authorities, notify consumers, and adopt measures such as recalls or suspension of selling, while bearing all necessary consumer expenses incurred by consumers. Violations of the Consumers Rights and Interests Protection Law may result in a warning, the confiscation of illegal income, and the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations, have its business license revoked and criminal liability incurred in serious cases.

Regulations Relating to Products Quality and Liability

According to the Product Quality Law of the PRC (the “PRC Product Quality Law”, 《中華人民共和國產品質量法》), which was became effective on September 1, 1993 and was last amended and became effective on December 29, 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers shall not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold, and even revoking business licenses; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities. Consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

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According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated on May 28, 2020 and became effective on January 1, 2021, a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation. Where any harm is caused to another person by a defective product and the defect is caused by the fault of a third party such as carrier or warehouseman, the seller of the product that has paid the compensation shall be entitled to be reimbursed by the third party. Where any defect of a product is discovered after the product is put into circulation, the seller shall take such remedial measures as warning and recall in a timely manner, otherwise any failure to react timely or sufficiently that concurrently causes damages shall subject such seller to tort liabilities.

Regulations Relating to Unfair Competition

According to the Anti-unfair Competition Law of the PRC (the “Anti-unfair Competition Law”, 《中華人民共和國反不正當競爭法》) promulgated on September 2, 1993 and last amended on June 27, 2025, when trading in the market, business operators should abide by the principles of voluntariness, equality, fairness, honesty and credibility, and abide by laws and recognized business ethics. Unfair competition refers to a business operator, in violation of the Anti-unfair Competition Law, disrupts the competition order and infringes the legitimate rights and interests of other business operators or consumers. A business operator in violation of Anti-unfair Competition Law may be subject to civil liability and administrative penalties. A business operator whose legitimate rights and interests are damaged by any act of unfair competition may file a lawsuit.

Regulations Relating to Advertising

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated on October 27, 1994, and was last amended on April 29, 2021, advertisement shall be expressed in a true, legitimate, healthy manner, and shall not contain false or misleading content, or defraud or mislead consumers. The Advertising Law of the PRC forbids the usage of certain words or phrases in advertisements, such as “national,” “supreme,” or “best” and provides a more detailed definition of “false advertisement”. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition when carrying out advertising activities.

Regulations Relating to Lease of Property

Pursuant to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》) issued on December 1, 2010 and came into effect on February 1, 2011, the parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The competent construction (real estate)

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departments of the people’s governments of the municipalities directly under the central government of the PRC cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit, though such lease is valid and binding according to Provisions of the Supreme People’s Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes on Housing Lease in Cities and Suburban Areas (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》).

Regulations Relating to Fire Prevention

According to the Fire Prevention Law of the PRC (the “Fire Prevention Law”, 《中華人民共和國消防法》) was promulgated on April 29, 1998 and was last amended and became effective on April 29, 2021, the constructor or user entity shall be subject to fire protection inspection before a public gathering place is put into use or opens for business. Any construction illegally putting into use or operating a public gathering place without being permitted by the fire and rescue department or without conforming to the use and operation conditions as the constructor or user undertakes upon inspection, may be ordered to stop construction, stop use, stop production or business operation, and be imposed a fine ranging from RMB30,000 to RMB300,000.

Regulation Relating to Online Sale of Our Product

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated on August 31, 2018 and became effective on January 1, 2019, e-commerce operators include operators of e-commerce platforms, business operators one-commerce platforms, and other e-commerce operators that sell commodities or offer services on websites they develop themselves or through other network services. Unless otherwise provided, e-commerce operators shall complete the market entity registration. Commodities sold or services offered by e-commerce operators shall meet the requirements to safeguard personal safety and property security and the requirements on environmental protection, and they shall not supply or offer any commodity or service prohibited by laws and administrative regulations. An e-commerce operator shall also: (i) continuously display and update its business license information and administrative license or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage or provide the link to the aforesaid information, (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers’ right to know and right of choice, and (iii) deliver commodities or services according to its promises or the ways and time limits as agreed upon with consumers, and bear the likely risks and responsibilities when commodities are in transit except when consumers choose a separate logistics service provider.

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Pursuant to the Measures for the Administration of Live Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》) which was promulgated on April 16, 2021 and became effective on May 25, 2021, a live streaming room operator or live streaming marketer engaging in live streaming marketing activities shall publish commodity or service information in a truthful, accurate and comprehensive manner, and shall not (i) violate the relevant regulations of the Provisions on Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》); (ii) publish false or misleading information to deceive or mislead users; (iii) market commodities that are counterfeit or inferior, infringe upon intellectual property rights or fail to satisfy the requirements for guaranteeing personal and property safety; (iv) fabricate or falsify transactions, followers, page views, likes or other data; (v) promote and attract attention for others although it or he knows or should have known that they have violations of laws and regulations or high-risk behaviors; (vi) harass, slander, insult or intimidate any other person, or infringe upon the lawful rights and interests of any other person; (vii) conduct pyramid sales, fraud, or gambling, or sell contraband or controlled articles, among others; or (viii) commit any other act in violation of any law or regulation or relevant provisions issued by the state.

The activities of e-commerce live streaming are currently regulated by the Opinions on Further Regulating For-profit Activities of Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》) promulgated on March 25, 2022 and effective on the same date, the Notice on the Issuance of the Guiding Opinions on Strengthening the Normative Management of Webcasting (《關於印發<關於加強網絡直播規範管理工作的指導意見>的通知》) promulgated on February 9, 2021 and effective on the same date, the Notice of the State Administration of Radio and Television on Strengthening the Management of Live Network Show and Live E-commerce Broadcasting (《國家廣播電視總局關於加強網絡秀場直播和電商直播管理的通知》) promulgated on November 12, 2020 and effective on the same date, the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Supervision of Live Streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》) promulgated on November 5, 2020 and effective on the same date, the Measures for the Administration of Cyber Performance Business Operations (《網絡表演經營活動管理辦法》) promulgated on December 2, 2016 and effective on January 1, 2017 and the Provisions on the Administration of Internet Live-Streaming Services (《互聯網直播服務管理規定》) issued on November 4, 2016 and effective on December 1, 2016. According to the above-mentioned applicable regulations, illegal acts in live streaming marketing that infringe upon the lawful rights and interests of consumers, infringe upon intellectual property rights, and disrupt the market order shall be investigated and punished in accordance with the law.

Regulations Relating to Import and Export of Goods

The Foreign Trade Law of the PRC (the “Foreign Trade Law”, 《中華人民共和國對外貿易法》) was promulgated on May 12, 1994, and last amended on December 27, 2025 and came into effective on March 1, 2026. Pursuant to the Foreign Trade Law, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations. According to the provisions of the Foreign Trade Law, the State

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may restrict or prohibit the import or export of relevant goods or technologies for any of certain reasons. Import and export of goods that are banned or restricted for import and export without permission shall be handled and punished by the Customs in accordance with the provisions of laws and administrative rules; if crime is constituted, the criminal liabilities shall be ascertained.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated on January 22, 1987 and last amended on April 29, 2021 and became effective on the same date, where an enterprise engages in import or export of goods which goes through customs declaration formalities, it shall be subject to registration by customs or shall authorize a customs clearing enterprise to handle customs declaration formalities.

Regulations Relating to Import and Export of Toys

Measures for the Inspection, Supervision and Administration of Import and Export Toys (《進出口玩具檢驗監督管理辦法》), was promulgated on March 2, 2009, and amended and became effective on April 28, 2018, May 29, 2018 and November 23, 2018. Imported toys shall be inspected in accordance with the mandatory requirements of the national technical specifications of China. Exported toys shall be inspected according to the technical regulations and standards of the importing country or region. If the technical requirements agreed by the two parties are higher than the technical regulations and standards, the inspection shall be carried out in accordance with the agreed requirements. If the technical regulations and standards of the importing country or region are not clearly defined the inspection shall be carried out in accordance with the mandatory requirements of the national technical specifications of China. Where an intergovernmental treaty is made in place, the inspection shall be carried out in accordance with the requirements stipulated therein. When exported toys are inspected, in addition to the relevant materials in accordance with the Provisions on Entry and Exit Inspection and Quarantine, the product quality and safety compliance statement shall be provided at the same time. When the exported toy is first inspected, the test report issued by the toy laboratory and other materials as stipulated by the General Administration of Customs shall be provided.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and last amended on April 23, 2019, registered trademarks are trademarks approved and registered by the trademark bureau, including commodity trademarks, service trademarks, collective trademarks, and certification marks. A trademark registrant enjoys exclusive rights to use a registered trademark, which is protected by the law. A trademark registration applicant shall, according to the prescribed classification of goods, enter the class and designation of goods on which the trademark is to be used, and file an application for registration.

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Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on September 7, 1990 and last amended on November 11, 2020, specifies that works of Chinese citizens, legal persons or other organizations, namely ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form, whether published or not, shall enjoy the copyright. The copyright holder can enjoy multiple rights, including the right of publication, the right of authorship, and the right of reproduction.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated on March 12, 1984 and last amended on October 17, 2020 and its implementation rules, the term “invention-creations” refers to inventions, utility models and designs. The duration of a patent right for inventions, utility models and designs shall be 20 years, 10 years and 15 years, respectively, all commencing from the application date.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), promulgated on August 24, 2017, the principle of “first to file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with true, accurate and complete information about the domain name holder’s identity for registration purpose. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

Regulations Relating to Data, Cyber, and Information Security

In accordance with the PRC Civil Code, natural person’s personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

The Standing Committee of the National People’s Congress promulgated the Cyber Security Law of the PRC (the “Cyber Security Law”, 《中華人民共和國網絡安全法》) on November 7, 2016, which was last amended on October 28, 2025 and became effective on January 1, 2026. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard cyber security in conducting business and providing services. For the construction and operation of the network or the provision of services through the network, technical and other necessary measures shall be taken as required by law and the compulsory requirements of national standards to ensure the safe and stable operation of the network, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information irrelevant to their

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services. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators shall take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner.

The PRC Data Security Law (《中華人民共和國數據安全法》) was released on June 10, 2021 and became effective on September 1, 2021. The PRC Data Security Law stipulates the measures to support and promote data security and development, to establish and optimize the national data security management system, and to clarify organizations’ and individuals’ responsibilities in data security. According to the PRC Data Security Law, data processing activities shall be carried out in accordance with PRC laws and regulations, establishing and improving the data security management system of the whole process, organizing and carrying out data security education and training, and taking corresponding technical measures and other necessary measures to safeguard data security. Where data processing activities are carried out through the Internet and other information networks, the above-mentioned data security protection obligations shall be fulfilled on the basis of the hierarchical network security protection system. In carrying out data processing activities, risk monitoring shall be improved, and remedial measures shall be taken immediately when data security defects, loopholes and other risks are found. In the event of a data security incident, the processors of data shall take immediate measures to deal with it, inform the user in time and report to the competent authorities in accordance with relevant provisions.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》, the “PIPL”), which was released on August 20, 2021 and became effective on November 1, 2021, stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for providing personal information to overseas recipients, and clarifies the individual’s rights and the processor’s obligations in the process of personal information processing. The PIPL applies to (i) the processing within the territory of the PRC of natural persons’ personal information; or (ii) the processing outside the territory of the PRC over personal information of natural persons within the PRC, provided that such information is processed (a) for the purpose of providing products or services to domestic natural persons, (b) to analyze or assess the conduct of domestic natural persons, or (c) under any other circumstances as prescribed by laws and administrative regulations. The PIPL requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, notification, and other obligations.

According to the Cybersecurity Review Measures (《網絡安全審查辦法》), which was promulgated on December 28, 2021 and became effective from February 15, 2022, a network platform operator who possesses personal information of more than one million users shall apply for cybersecurity review before the listing of the network platform operator’s securities

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abroad, and the relevant governmental authorities may initiate cybersecurity review if such governmental authorities consider relevant network products or services and data processing affect or may affect national security. We do not think listing in Hong Kong is listing abroad.

According to the Regulations on Network Data Security Management, which was promulgated on September 24, 2024 and came into force on January 1, 2025, clarifies the general provisions on network data security management, and also further supplements and refines the specific requirements on personal information protection, important data security management, cross-border security management of network data, and obligations of network platform service providers.

REGULATIONS RELATING TO LABOR PROTECTION

Employment Law

The Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994 and last amended on December 29, 2018, provides that employees are entitled to gain equal opportunities in employment, choose occupations, receive labor remuneration, and acquire protection of work safety and healthcare, social insurance and welfare, etc.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on June 29, 2007 and amended on December 28, 2012, together with its implementation rules, provides that the labor contracts shall be concluded in order to establish the labor relationship between employers and employees. The employer and employee shall fully perform their respective obligations as set out in the labor contract. An employer shall truthfully inform the employees regarding the scope of work, working conditions, workplace, occupational hazards, work safety conditions, labor remuneration and other information requested by the employees. Employers failing to comply with these regulations may be subject to rectification order or compensation.

Social Insurance and Housing Provident Fund

According to Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and amended on December 29, 2018, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

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Pursuant to the Interpretation II of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people’s court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and claims economic compensation pursuant to Article 38(3) of the Labor Contract Law of the PRC, the people’s court shall support such claims in accordance with the law. In the circumstances described in the preceding paragraph, if the employer subsequently pays the social insurance premiums in accordance with the law and requests the employee to return the compensation already paid for the social insurance premiums, the people’s court shall support such requests in accordance with the law.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on April 3, 1999 and last amended on March 24, 2019, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds, the housing provident fund administration center may order it to make payment within a prescribed time limit. If the employer still fails to do so, the housing provident fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

REGULATIONS RELATING TO TAXATION

Regulation relating to EIT

According to the EIT Law, which was promulgated on March 16, 2007 and amended from time to time, together with its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or incorporated pursuant to the foreign laws with their “de facto management bodies” located in the PRC, are deemed as “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and their income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with their establishments or places of business located in the PRC. Non-resident enterprises without establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC. The enterprise income tax on important high and new-tech enterprises that are necessary to be supported by the State may be levied at the reduced tax rate of 15%.

REGULATORY OVERVIEW

Regulation relating to Withholding Income Tax

Pursuant to the EIT Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in the PRC to its foreign investors are subject to a 10% withholding income tax rate, unless otherwise provided in the tax treaty concluded between the PRC and such foreign investor's jurisdiction of incorporation.

Pursuant to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) effective from January 1, 2020, any non-resident taxpayer meeting conditions for enjoying the treaty benefits may be entitled to the treaty benefits itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. If a competent tax authority, during subsequent administration, finds out that a non-resident taxpayer enjoys treaty benefits without meeting the conditions thereof and underpays or fails to pay them at all, it may instruct the non-resident taxpayer to pay the overdue taxes within a prescribed time period.

Regulation relating to Value-Added Tax

According to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which was promulgated by the NPCSC on December 25, 2024 and came into effect on January 1, 2026, and the Regulation on the Implementation of the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法實施條例》), which was promulgated by the State Council on December 25, 2025 and came into effect on January 1, 2026, entities and individuals (including individual industrial and commercial proprietors) selling goods, services, intangible assets, real estate and importing goods within the territory of the PRC are taxpayers of VAT and shall pay VAT in accordance with the provisions of the law. Unless otherwise stated, for payers who sell goods, and provide processing, repairs and replacement services and rental services of tangible movable assets as well as import goods, the tax rate shall be 13%, and be, in certain specified circumstances, 9%, 6% and 0%.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended from time to time, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the SAFE Notice on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

REGULATORY OVERVIEW

According to the SAFE Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the current Special Administrative Measures for Access of Foreign Investment (Negative List) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

REGULATIONS RELATING TO M&A AND OVERSEAS LISTINGS

Pursuant to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (2009 Revision) (the “M&A Rules”, 《關於外國投資者併購境內企業的規定》(2009修訂)), which was promulgated by the MOFCOM on August 8, 2006 and became effective on September 8, 2006, and was last amended and became effective on June 22, 2009 Foreign Investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company and thus changing the nature of the domestic company into a foreign invested enterprise, or when the foreign investors establish a foreign invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign invested enterprise by injecting such assets and operate the assets. The M&A Rules requires that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC (domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to MOFCOM for approval. The M&A Rules also requires companies with special purpose of overseas listing through acquisitions of PRC domestic companies, which are controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing and trading of such securities on an overseas stock exchange.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, the PRC domestic companies that seek to initially offer and list securities in overseas markets either directly or indirectly, file the required documents with the CSRC after its application for overseas listing is submitted.

On February 24, 2023, the CSRC released the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (the “Confidentiality Provisions”, 《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which became effective on March 31, 2023. Pursuant to the Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct offering and domestic operational entities of enterprises listed in overseas markets via indirect offering must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or government work secrets or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.