REGULATIONS RELATING TO FOREIGN INVESTMENT

On January 1, 2020, the Foreign Investment Law of the PRC, or the FIL, and the Regulations on the Implementation of the Foreign Investment Law of the PRC became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China. The FIL sets out the definition of foreign investment and the framework for promotion, protection, and administration of foreign investment activities. The FIL does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. Accordingly, the National Development and Reform Commission of the PRC, or the NDRC and the MOFCOM promulgated the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 version), or the 2024 Negative List, which took effect and replaced the previous version on November 1, 2024, and the NDRC and the MOFCOM promulgated the Encouraged Industry Catalogue for Foreign Investment (2025 version), or the 2022 Encouraged Industry Catalogue, which took effect and replaced the previous version on February 1, 2026. Industries not listed in the 2024 Negative List are generally open for foreign investments unless specifically restricted by other PRC laws.

Pursuant to the Circular of the General Office of State Council on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the General Office of the State Council on February 3, 2011 and took effect on March 3, 2011 and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the MOFCOM that became effective in September 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. According to the Measures for the Security Review of Foreign Investment promulgated by the NDRC and the MOFCOM on December 19, 2020, and effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES AND INTERNET INFORMATION SERVICES

Pursuant to the Telecommunications Regulations of the PRC , or the Telecommunications Regulations, promulgated by the State Council on September 25, 2000, amended on July 29, 2014, and February 6, 2016, which provides a regulatory framework for telecommunications services providers in the PRC, telecommunications services are categorized into infrastructure telecommunications services and value-added telecommunications services, or VATS, and the telecommunications services providers are required to obtain operating licenses prior to the commencement of their operations. Pursuant to the Catalog of Telecommunications Business (2015 version) as amended from time to time, VATS was further classified into two sub-categories and 10 items. Information services fall within the second subcategory of value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of VATS, must first obtain an operating license from the Ministry of Industry and Information Technology of the PRC, or the MIIT, or its provincial level counterparts.

The Administrative Measures on Internet Information Services, or the IIS Measures, promulgated by the State Council and as last amended on December 6, 2024 and took effect on January 20, 2025, sets forth more specific rules on the provision of internet information services. According to the IIS Measures, any company that engages in the provision of commercial internet information services must obtain a sub-category VATS License for internet information services, namely the ICP License, from the relevant government authorities before providing any commercial internet information services within the PRC.

In addition to the Telecommunications Regulations and the other regulations discussed above, the provision of commercial internet information services on mobile internet apps is regulated by the Administrative Provisions on Mobile Internet Applications Information Services, which was first promulgated by the Cyberspace Administration of China, or the CAC, on June 28, 2016, and recently amended on June 14, 2022. The providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications and complying with other requirements provided by laws and regulations and being responsible for information security. Furthermore, on December 15, 2019, the CAC promulgated the Provisions on Ecological Governance of Network Information Content, or the Network Ecological Governance Provisions, which took effect on March 1, 2020. The Network Ecological Governance Provisions provide the requirements for content producers of network information, service platforms for network information and users of network information.

Pursuant to the Regulations for the Administrative Measures of Foreign-Invested Telecommunications Enterprises, or the FITE Regulation, which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, February 6, 2016 and February 29, 2022, and the 2024 Negative List, the ultimate foreign equity ownership in a VATS provider shall not exceed 50%, except for e-commerce business, domestic multi-party communications services business, store-and-forward business and call center business which may be 100% owned by foreign investors.

On April 8, 2024, the MIIT issued the Circular on Implementing the Pilot Programs Work to Expand the Opening-up of the Value-Added Telecommunications Services. The circular states that the MIIT will launch pilot programs to expand the opening-up of VATS and the pilot programs will be initially launched in several regions, including Beijing, Shanghai, Hainan, and Shenzhen. In the regions approved to launch pilot programs, foreign ownership restrictions in certain value-added telecommunications business will be removed, including internet data centers services, content delivery networks services, internet access services, online data processing and transaction processing services, information publishing platforms and delivery services (excluding internet news information, online publishing, online audio-visual, and internet cultural operations) and information protection and processing services. Foreign invested enterprises conducting these services in approved pilot regions are required to obtain approval from the Ministry of Industry and Information Technology in accordance with applicable law and regulations. The circular also indicates that based on the implementation of the pilot programs, the scope of the pilot regions may be expanded.

REGULATIONS RELATING TO ONLINE TRANSMISSION OF AUDIO-VISUAL PROGRAMS AND LIVESTREAMING

On December 20, 2007, the State Administration for Radio, Film and Television, or the SARFT (subsequently known as the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT, and currently known as National Radio and Television Administration, or the NRTA) and the MIIT jointly promulgated the Administrative Provisions for Audio-visual Programs Services through Internet, which took effect on January 31, 2008 and were amended on August 28, 2015. On March 17, 2010, the SARFT issued the Internet Audio-Visual Program Services Categories (Provisional), or the Provisional Categories, as adjusted on March 10, 2017, which classifies internet audio/visual program services into four categories. Under these provisions, foreign investors are prohibited from engaging in the business of distributing audio-visual programs through the Internet. Providers of audio-visual program services through the Internet (including through mobile networks) in general must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the SARFT, and such providers are required to obtain the License for Online Transmission of Audio-visual Programs issued by the NRTA, or complete certain registration procedures with the NRTA. Pursuant to the Notice on Promulgation of the Guiding Opinions on Strengthening the Standardized Administration of Online Livestreaming jointly promulgated on February 9, 2021 by CAC, NRTA, MIIT, the Ministry of Culture and Tourism of the PRC, or the MCT, Ministry of Public Security, SAMR and the Office of National Working Group for the Fight against Pornography and Illegal Publications, the live-streaming platforms carrying out online audio-visual program services shall obtain the License for Online Transmission of Audio-visual Programs (or complete a registration with the "National Internet Audio-Visual Platforms Information Management System") and complete ICP record-filing.

In addition, the SAPPRFT issued the Notice Concerning Strengthening the Administration of the Livestreaming Service of Online Audio-Visual Programs in September 2016, pursuant to which an internet livestreaming service provider shall: (i) equip personnel to review the content of livestreaming content; (ii) establish the technical methods and work mechanisms in order to replace the unlawful content by using the backup program; and (iii) record the livestreaming program and keep the records for at least 60 days to fulfill the inspection requirements by competent administrative authorities. The CAC promulgated the Regulations for the Administration of Livestreaming Services, or Livestreaming Services Provisions, on November 4, 2016, which came into effect on December 1, 2016. According to the Livestreaming Services Provisions, a livestreaming service provider shall: (a) establish a livestreaming content review platform; (b) conduct authentication registration of livestreaming issuers based on their identity certificates, business licenses and organization code certificates; and (c) enter into a service agreement with internet livestreaming services user to specify both parties' rights and obligations.

In February 2021, the CAC, the National Office of Anti-Pornography and Illegal Publication, the MIIT, the Ministry of Public Security, the MCT, the SAMR and the NTRA jointly promulgated the Guidance Opinions on the Strengthening the Regulation and Management Work of Livestreaming, pursuant to which, the livestreaming platforms shall adopt a tiered and classified management system over the streamers' accounts, with those accounts managed in different tiers and classes based on the nature of the streamers, operational contents, number of fans, popularity of the streaming, time limit of the streaming and other factors. Livestreaming platforms shall set up appropriate limitations for streamers' accounts in different tiers or classes in terms of the total amount of virtual gifts received in any single session of streaming performance, the popularity of the streaming, the time length of the streaming, the sessions of the streaming in any single day, the time gap between different streaming sessions and other factors, and take necessary warning measures against the streamers who violate relevant laws and regulations. In addition, livestreaming platforms are required, among other things, to set up appropriate limitations for the maximum purchase price for each virtual gift and the maximum value of virtual gifts that the users send to the streamers each time, and livestreaming platforms are required, if necessary, to set up a cooling-off period and a delayed-fund-transfer system for giving virtual gifts. On March 25, 2022, the CAC, the SAMR and the State Administration of Taxation, or the SAT, jointly issued the Opinions on Further Regulating the Profit-making Behaviors of Livestreaming to Promote the Healthy Development of the Industry, pursuant to which, livestreaming platforms shall report the relevant information of streamers who have profit-making behaviors in the livestreaming to the local cyberspace administration department and competent tax authorities every six months, and livestreaming platforms are further required to (i) clearly indicate the rights and obligations of the streamers, such as the requirements to complete registration with relevant authorities and their tax liabilities, in the service agreements with streamers; (ii) clearly identify the sources and nature of income of streamers; and (iii) perform their tax withholding obligations for personal income of streamers. The livestreaming platforms shall not assign or evade their tax withholding obligations for personal income of streamers by any means and shall not assist streamers with tax evasion.

On May 7, 2022, the General Office of Central Commission for Guiding Cultural and Ethical Progress, the CAC, the MCT and the NRTA jointly promulgated the Opinions on Regulating Online Livestreaming Rewards to Strengthen the Protection of Minors, which provide that live streaming platforms shall, among others, (i) livestreaming platforms shall not provide virtual gifting services to minors; and (ii) livestreaming platforms shall not provide live-streamer's account registration services to minors under the age of 16 and shall obtain the consent from guardians before providing such services to minors between the ages of 16 and 18. The opinions also require online platforms to (i) continue to upgrade their "teenager mode" and establish a customer service team for minors to process the complaints and disputes related to minors; (ii) remove the rewards ranking within one month after the announcement of the opinions; and (iii) discontinue all services under "teenager mode" after 10:00 p.m. every day.

On June 8, 2022, the NRTA and the MCT issued the Code of Conduct for Live-streamers, or the Code of Conduct, which provides, among others, that: (i) during live streaming sessions, streamers shall not behave extravagantly or waste food, flaunt luxury goods, jewelry and other assets, or display sexually suggestive and provocative content; (ii) live streaming platforms shall establish comprehensive internal policies to manage their streamers, covering various aspects of operations, and shall reprimand and discipline streamers who have violated the Code of Conduct, and ban the account of streamers who have repeatedly violated the Code of Conduct or applicable rules and regulations.

REGULATIONS RELATING TO ONLINE CULTURAL ACTIVITIES

The Interim Administrative Provisions on Internet Culture, or the Internet Culture Provisions, promulgated by the MCT on May 10, 2003 and last amended with immediate effect on December 15, 2017, provides that Internet culture activities are classified into non-commercial Internet cultural activities and commercial Internet cultural activities. Under the Internet Culture Provisions, Internet culture activities include: (i) the production, reproduction, importation, distribution or streaming of Internet culture products (such as online program, online series, online performance, etc.); (ii) the dissemination of culture products via Internet; and (iii) the exhibitions, competitions and other similar activities concerning Internet culture products. To conduct commercial Internet culture activities, the Internet cultural business license is a prerequisite. If any entity engages in commercial Internet culture activities without approval, the cultural administration authorities or other relevant government may order such entity to cease operating Internet culture activities as well as impose other punishments including issuing administrative warning, levying fines up to RMB30,000 and listing such entity on the cultural market blacklist in the case of continued non-compliance.

REGULATIONS RELATING TO REAL-NAME REGISTRATION SYSTEM

Pursuant to the Cybersecurity Law of the PRC, or the Cybersecurity Law, promulgated by the SCNPC on November 7, 2016, and last amended with immediate effect on January 1, 2026, network operators providing information publication services and instant communication services shall require their users to provide real identity information when signing agreements or confirming the provision of services with such users.

Pursuant to the Regulations on the Administration of Internet User Account Names promulgated by the CAC on February 4, 2015 and became effective on March 1, 2015, the internet information service providers shall implement security management responsibilities, improve user service agreements, and expressly inform users that account names, avatars, profiles and other registration information must not contain illegal or harmful information. The internet information service providers shall equip professional personnel commensurate with the scale of their services to examine the account names, avatars, profiles and other registration information submitted by users, and refuse to register those containing illegal or harmful information. The internet information service providers shall, in accordance with the principle of "real-name in the back end, voluntary disclosure in the front end", require users to undergo verification of their true identity before an account may be registered.

Pursuant to the Administrative Provisions on Mobile Internet Applications Information Services, came into effect on August 1, 2022, where the mobile internet application providers provide the users with the information releasing, instant messaging, and other services, they shall authenticate the real identity information of the users applying for registration based on the mobile phone numbers, identity certificate numbers or unified social credit codes, or by other methods. In addition, pursuant to the Livestreaming Services Provisions and relevant regulations, livestreaming service providers should verify the identity of users on a livestreaming platform with their information such as through their mobile phone number.

On June 27, 2022, the CAC promulgated the Provisions on the Administration of Internet Users' Account Information which came into effect on August 1, 2022. According to the Provisions on the Administration of Internet Users' Account Information, the registration and use of internet users' account information by internet users and the administration of such information by internet information service providers shall abide by laws and regulations, follow public order and good customs and be honest and trustworthy, and shall not harm national security, social public interests, or the legitimate rights and interests of others. For instance, where an internet information service provider provides information release, instant messaging, and other services for internet users, it shall authenticate the real identity information of users applying for registration through the mobile phone number, identity certificate number, unified social credit code or other methods.

REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law, which became effective on June 1, 2017 and most recently amended on October 28, 2025. It defines "networks" as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of information collecting, storing, transmitting, exchanging and processing in accordance with certain rules and procedures, and "network operators" as owners or administrators of networks or the providers of network services. Network operators are subject to various security protection-related obligations. Network operators who do not comply with the PRC Cybersecurity Law may be subject to corrective orders, warnings, fines, suspension of their businesses, shutdown of their websites, and/or revocation of their business licenses.

On December 28, 2021, the CAC, the NDRC, and several other administrations jointly promulgated the Measures for Cybersecurity Review, or the Review Measures, which became effective on February 15, 2022, and replaced the previous version published on April 13, 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. According to the Review Measures, critical information infrastructure operators, or CIIOs, that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review. In addition, the relevant regulatory authorities are still entitled to impose security reviews on network products and services that are deemed capable of affecting national security. The network platform operators who possess personal information of more than one million users and intend to be listed at a foreign stock exchange must be subject to the cybersecurity review. CIIOs and network platform operators may voluntarily file for a cybersecurity review with CAC prior to purchasing network products and services if they deem their behavior affects or may affect national security based on self-assessment and self-evaluation. Notwithstanding the voluntary filing, the relevant authorities are entitled to initiate cybersecurity reviews accordingly.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which took effect in September 2021. The Data Security Law provides data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which became effective on September 1, 2022. On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flow, which took effect on the same date. In accordance with these regulations, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data under any of the following circumstances: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information (excluding sensitive personal information) of 1,000,000 persons cumulatively or the sensitive personal information of 10,000 persons cumulatively since January 1 of the current year; or (iv) other circumstances as requested by the CAC. In addition, the Provisions on Promoting and Regulating Cross-border Data Flow provides certain exemptions for obligations in connection with cross-border data transfer, including the obligations for declaring data security assessment, executing a standard contract for provisions of personal information abroad or being certified for personal information protection.

On September 24, 2024, the State Council promulgated the Measures on Network Data Security Management, or the Measures on Network Data, which took effect on January 1, 2025. The Measures on Network Data set out general guidelines applicable to the protection of personal information, security of important data, security management of cross-border data transfer, obligations of network platform service providers, as well as the supervision, management and legal liabilities with respect to the foregoing. The Measures on Network Data require data processors that process important data to carry out an annual risk assessment of its data processing activities, and submit risk assessment reports to the appropriate department at or above the provincial level, which shall promptly notify the cyberspace administration and the public security authority at the same level.

REGULATIONS RELATING TO PRIVACY PROTECTION

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, which was issued by the CAC, the MIIT, the Ministry of Public Security, and the SAMR on January 23, 2019, app operators shall collect and use personal information in compliance with the Cybersecurity Law and shall be responsible for the security of personal information obtained from users and take effective measures to strengthen personal information protection. Furthermore, app operators shall not force their users to make authorization by means of default settings, bundling, suspending installation or use of the app or other similar means and shall not collect personal information in violation of laws, regulations, or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by the MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly seen illegal practices of app operators in terms of personal information protection and specifies acts of app operators that will be considered as "collection and use of personal information without users' consent."

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect in November 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to information related to identified or identifiable natural persons and is recorded by electronic or other means but excluding the anonymized information. The Personal Information Protection Law applies to personal information processing activities within China, as well as certain personal information processing activities outside China, including those for provision of products and services to natural persons within China or for analyzing and assessing acts of natural persons within China.

REGULATIONS RELATING TO ALGORITHMIC RECOMMENDATION

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Administration Provisions on Algorithmic Recommendation of Internet Information Services, or the Administration Provisions on Algorithmic Recommendation, which became effective on March 1, 2022. The Administration Provisions on Algorithmic Recommendation stipulates that algorithmic recommendation service providers shall (i) fulfill their responsibilities for algorithm security, (ii) establish and strengthen management systems for algorithm mechanism examination, ethical review in technology, user registration, information release examination, protection of data security and personal information, anti-telecom and network fraud, security assessment and monitoring, emergency response to security incidents, etc., and (iii) formulate and publish rules governing algorithmic recommendation related service. The provider of algorithmic recommendation services shall not use the services to (i) carry out any illegal activity which may endanger national security and social public interest, disturb economic order and social order, or infringe third parties' legal interest, or (ii) spread any information prohibited by laws or regulations. Failure to comply with the above laws and regulations may subject the internet service providers like us to administrative penalties including, without limitation, fines, suspension of business operation, shut-down of websites, revocation of licenses and even criminal liabilities.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright and Software Registration

Copyright (including software copyright) is mainly protected by the PRC Copyright Law as promulgated on September 7, 1990, and latest amended on November 11, 2020, by the SCNPC and the Implementing Rules of the PRC Copyright Law as promulgated on May 30, 1991 by National Copyright Administration, and latest amended on January 30, 2013 by the State Council. Such law and rules provide that Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works. Copyright owners enjoy certain legal rights, including right of publication, right of authorship, right of reproduction, and other personal and property rights. The National Copyright Administration promulgated the Computer Software Copyright Registration Measures as promulgated on February 20, 2002, which regulates software copyright registration, software copyright exclusive license contracts, and transfer contracts. The Computer Software Protection Regulations (2013 Revision) stipulates that software copyright owners may obtain registration from the software registration authority acknowledged by the copyright administrative department under the State Council.

Trademarks

Trademarks are protected by the PRC Trademark Law promulgated by the SCNPC on August 23, 1982, and last amended on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law promulgated by the State Council on August 3, 2002, and amended on April 29, 2014. The Trademark Office of National Intellectual Property

Administration, or the Trademark Office, handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. A trademark registrant may license its registered trademark to another party by entering into a trademark license agreement.

Patents

According to the Patent Law of the PRC promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020, and came into effect on June 1, 2021, and the Implementation Rules for the Patent Law of the PRC promulgated by the State Council on December 11, 2023, and became effective on January 20, 2024, the National Intellectual Property Administration is responsible for administering patents in the PRC. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, "invention," "utility model," and "design." Invention patents are valid for 20 years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names promulgated by the MIIT on August 24, 2017, and effective on November 1, 2017. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

Labor Law and Labor Contract Law

According to the Labor Law of the PRC, promulgated by the SCNPC on July 5, 1994, lastly amended with immediate effect on December 29, 2018, and the Labor Contract Law of the PRC promulgated by the SCNPC on June 29, 2007, lastly amended on December 28, 2012 and came into effect on July 1, 2013, employers and employees are required to enter into written labor contracts upon the establishment of employment relationships. Employers must also establish and improve their internal labor rules and policies in accordance with the law to ensure workers' enjoyment of labor rights and fulfillment of labor obligations.

Social Insurance and Housing Fund

According to the PRC Social Insurance Law, which was promulgated by the SCNPC on October 28, 2010 and effective on July 1, 2011 and amended on December 29, 2018, and other relevant PRC laws and regulations, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute Social Insurance premiums in full amount shall be ordered by the Social Insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the historical shortfall in social insurance contributions in arrears.

According to the Administrative Regulations on the Housing Provident Fund, which was promulgated by the State Council, effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, enterprises in the PRC must register with the competent managing center for housing provident funds and upon the examination by such center, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in a full timely manner. Employers that violate these regulations and fail to process housing provident fund payments or deposit registrations with the housing provident fund administration center within a designated period are subject to a fine ranging from RMB10,000 to RMB50,000.

REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC promulgated by the SCNPC on July 5, 1994, and last amended on August 26, 2019, and took effect on January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental prices, rental and repair liabilities, and other rights and obligations of both parties. In addition, pursuant to the Law on Administration of Urban Real Estate of the PRC and the Administrative Measures on Leasing of Commodity Housing, promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and became effective on February 1, 2011, both lessor and lessee are required to register the lease within 30 days from execution of the property lease contract with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign Currency Exchange

Pursuant to the Foreign Exchange Administrative Regulations of the PRC promulgated by the State Council on January 29, 1996, effective on April 1, 1996 and last amended on August 5, 2008, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for capital expenditure items such as direct investment, loans, or investments in securities outside the PRC unless the approval of the State Administration of Foreign Exchange, or the SAFE, or its local counterparts is obtained in advance.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or the SAFE Circular 19, which took into effect on June 1, 2015 and was last amended on March 23, 2023. According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises must be subject to the discretional foreign exchange settlement.

The Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or the SAFE Circular 16, which was promulgated by SAFE on June 9, 2016 and was amended on December 4, 2023, amended certain provisions of the SAFE Circular 19. SAFE Circular 16 unifies the discretional foreign exchange settlement for all the domestic institutions, including foreign-invested enterprises, but excluding financial institutions. Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange receipts of capital accounts by domestic institutions, including foreign-invested enterprises, shall follow the principles of authenticity and self-use within the business scope of enterprises.

On January 26, 2017, the SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities. Moreover, pursuant to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Pursuant to the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation, or the SAFE Circular 28, which was promulgated and took effect on October 23, 2019 and was amended on December 4, 2023, foreign-invested enterprises that do not have equity investments in their approved business scope are allowed to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or the SAFE Circular 37, for the purpose of simplifying the approval process, and for the promotion of cross-border investment. Under the SAFE Circular 37, (i) before the PRC residents or entities conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (ii) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC last amended on December 29, 2018 and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC last amended on December 6, 2024, a unified enterprise income tax rate of 25% applies to both foreign-invested enterprises and domestic enterprises, with tax incentives available for specific industries and projects. Qualifying small and low-profit enterprises are subject to a reduced rate of 20%, while high-tech enterprises, which receive key support from the Chinese government, enjoy a reduced rate of 15%.

Value-added Tax

According to Value-added Tax Law of the PRC, which was promulgated by the SCNPC on December 25, 2024, came into effect on January 1, 2026, and the Regulations for the Implementation of the Value-Added Tax Law of the PRC, which was promulgated by the State Council on December 25, 2025 and came into effect on January 1, 2026, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax, or the VAT, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair, and replacement services, the sale of services, intangible assets, or immovable properties, and the importation of goods within the territory of the PRC must pay value-added tax. The VAT rates vary by taxpayer activity, ranging from 13%, 9%, 6% to 0%. Our services are subject to VAT at the rate of 6%.

Dividends Withholding Tax

According to the EIT Law, dividends paid by foreign-invested companies to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, promulgated on August 21, 2006, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR.

However, based on the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties promulgated and took into effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company improperly benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, in October 2019, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Treatments, or the SAT Circular 35, which became effective on January 1, 2020. The SAT Circular 35 abolished the record-filing procedure for justifying the tax treaty eligibility of taxpayers and stipulates that non-resident taxpayers can enjoy tax treaty benefits via the "self-assessment of eligibility, claiming treaty benefits, retaining documents for inspection" mechanism. Non-resident taxpayers can claim tax treaty benefits after self-assessment provided that relevant supporting documents shall be collected and retained for post-filing inspection by the tax authorities.

Enterprise Income Tax Relating to Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the SAT issued the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises, or the SAT Circular 698. By promulgating and implementing the SAT Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7, on February 3, 2015, to supersede existing provisions in relation to the indirect transfer as set forth in the SAT Circular 698. The SAT Circular 7 introduces a new tax regime that is significantly different from that under the SAT Circular 698. The SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the SAT Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign-invested enterprises is the Company Law of the PRC. Under this law and its regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with China's accounting standards and regulations. In addition, a PRC company, including a foreign-invested enterprise in China, is required to allocate at least 10% of its accumulated profits each year, if any, to fund statuary common reserve funds until these reserves have reached 50% of the registered capital of the enterprise. A PRC company may, at its discretion, allocate a portion of its after-tax profits based on China accounting standards to staff welfare and bonus funds. These statuary common reserves are not distributable as cash dividends.

REGULATIONS RELATING TO EMPLOYEE STOCK INCENTIVE PLAN

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, which was issued by SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas private special purpose company may register with SAFE or its local branches before exercising rights.

REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM and the China Securities Regulatory Commission, or the CSRC, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which took into effect on September 8, 2006, and was amended by the MOFCOM on June 22, 2009. The M&A Rules, among other things, require 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.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (the "Trail Measures"), which came into effect on March 31, 2023. According to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC.

The Trial Measures provide that, among other things, (i) where an issuer makes its initial public offering or listing in an overseas market, or makes subsequent securities offerings and listings in another overseas market after having been listed in an overseas market, the issuer shall file the relevant documents with the CSRC within three business days after submitting the offering and listing application overseas; and (ii) where an issuer makes subsequent securities offerings in the same overseas market after having been listed in that market, the issuer shall file with the CSRC within three business days after the completion of such offerings. The Trial Measures further require an issuer to submit a report within three business days after the occurrence and public disclosure of the following events: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting; and (v) material change of its principal business operations to the extent that it ceases to be subject to the filing requirements of the Trial Measures.

On February 24, 2023, the CSRC, together with other PRC government authorities, released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, or the Confidentiality and Archives Administration Provisions, which came into effect on March 31, 2023. The Confidentiality and Archives Administration Provisions require, among others, that PRC domestic companies seeking to offer and list securities in overseas markets, either directly or indirectly, shall establish the confidentiality and archives system.