Overview

The Company is a securities company registered and conducting its business activities within the PRC. Our business activities in the PRC are governed by the applicable laws, administrative regulations, departmental rules, and other regulatory documents of the PRC. The primary objective of these regulations is to safeguard the interests of clients and investors of securities companies. The following presents a summary of the principal laws and regulations applicable to our business, which, however, is not an exhaustive description of all legal and regulatory requirements to which we must adhere in conducting our business activities.

Major Regulatory Authorities and Self-regulatory Organizations

CSRC

CSRC exercises supervision and administration over the securities market in accordance with the law to ensure the securities market's openness, fairness, and impartiality, prevent systemic risks, safeguard the legitimate rights and interests of investors, and promote the healthy development of the securities market. CSRC may establish local offices based on the actual needs to perform supervision and administration duties as authorized.

Stock Exchange

A stock exchange is a self-regulatory and lawfully registered legal entity, which provides venues and facilities for the centralized trading of securities, and organizes and supervises the trading of securities. Currently, the stock exchanges within the PRC include Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange.

National Equities Exchange and Quotations ("NEEQ")

The National Equities Exchange and Quotations is a national securities trading venue established upon the approval of the State Council. Companies whose shares are listed on the NEEQ are non-listed public companies. NEEQ Co. Ltd., which implements self-regulation, is responsible for organizing and overseeing the share transfer and related activities of companies listed on the NEEQ.

Futures Exchange

A futures exchange is a non-profit self-regulatory legal entity, structured as either a membership-based or corporate entity, which provides venues and facilities for the trading of futures, organizes and supervises the trading of futures, and maintains market fairness, orderliness, and transparency.

Securities Association of China

The Securities Association of China is a national self-regulatory organization for the securities industry. It is a non-profit social organization with the status of a legal entity, and is subject to the guidance, supervision and management of the CSRC. All securities companies are required to become members of the Securities Association of China. The main duties of the Securities Association of China include the formulation and implementation of self-regulation rules and business standards, as well as the supervision and inspection of the conduct of its members and practitioners.

Asset Management Association of China (AMAC)

The AMAC is a self-regulatory organization for the securities investment funds industry. It is a non-profit social organization with the status of a legal entity, and is subject to the guidance, supervision and management of the CSRC. Fund managers and fund custodians shall join the AMAC. The main duties of the AMAC include the formulation and implementation of self-regulation rules, as well as the supervision and inspection of the professional conduct of its members and practitioners.

China Futures Association (CFA)

The CFA is a self-regulatory organization for the futures industry. It is a non-profit social organization with the status of a legal entity, and is subject to the guidance and supervision of the CSRC. Futures broker-dealer firms shall join the CFA. The main duties of the CFA include the formulation and implementation of self-regulation rules of the industry, as well as the supervision and inspection of the business activities of its members and the professional conduct of practitioners.

Other Authorities

Other authorities relating to the business activities of the Company and its affiliated futures companies, private fund management companies and alternative investment companies mainly comprise the People's Bank of China (PBOC), National Development and Reform Commission (NDRC), National Financial Regulatory Administration (NFRA), State Administration of Foreign Exchange (SAFE), China Securities Depository and Clearing Corporation Limited (CSDC), China Securities Investor Protection Fund Corporation Limited (SIPF), China Futures Market Monitoring Center Co., Ltd. (CFMMC), China Securities Finance Corporation Limited (CSF), National Association of Financial Market Institutional Investors (NAFMII), etc.

Industry Entry

Industry Entry for Securities Companies

1. Establishment

According to the Securities Law and Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》) (amended on and effective from July 29, 2014), the establishment of a securities company shall meet corresponding conditions and requires approval from the CSRC to obtain an operating license. These conditions primarily include: the company's articles of association complying with relevant regulations, major shareholders and actual controllers possessing the requisite qualifications, registered capital meeting statutory requirements, directors, supervisors, senior management personnel and employees meeting relevant criteria, sound risk management and internal control systems, and qualified business premises, operational facilities and information technology systems.

According to the Provisions on the Administration of Equities of Securities Companies (《證券公司股權管理規定》) (amended on and effective from March 27, 2025), the number of securities companies in which a securities company's shareholders, their controlling shareholders, and actual controllers may collectively hold equity interests shall not exceed two, of which the number of controlling securities companies shall not exceed one. The following circumstances shall not be counted into the number of shareholding and controlling securities companies: directly hold and indirectly control less than 5% of equity in securities companies; invest in other securities companies through controlling securities companies; securities companies have control over other securities companies; transitional arrangements for implementing mergers and acquisitions of securities companies; the State Council authorizes the holding of equity in securities companies; other circumstances as recognized by the CSRC.

The Measures for the Administration of Foreign-Funded Securities Companies (《外商投資證券公司管理辦法》) (amended on and effective from March 27, 2025) stipulate the conditions and procedures for the establishment of foreign-invested securities companies. In accordance with the Relevant Measures for Further Opening Up the Financial Sector (《關於進一步擴大金融業對外開放的有關舉措》), foreign-invested securities companies are no longer subject to the previous restriction that "the proportion of foreign capital shall not exceed 51%", with effect from January 1, 2020. Foreign investors may, in accordance with the law, hold shares of listed domestic securities companies through securities trading on stock exchanges, or establish strategic cooperative relationships with listed domestic securities companies to hold their shares upon the approval of the CSRC. Foreign investors who lawfully hold 5% or more of the shares in a listed domestic securities company through securities trading on a stock exchange or who jointly hold such shares with others by agreement and other arrangement shall meet the conditions for foreign shareholders of foreign-invested securities companies as stipulated in Article 6 of the Measures for the Administration of Foreign-Funded Securities Companies, and shall comply with relevant requirements of the Securities Law and the CSRC in relation to acquisition of listed companies and change of securities companies.

2. Business scope

According to the Securities Law, a securities company can conduct any of or all the following securities businesses: securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; securities margin trading; securities market-making; proprietary securities trading; and other securities business.

Pursuant to Article 121 of the Securities Law, the minimum registered capital requirement for a securities company shall be RMB50 million if it engages in securities brokerage, securities investment advisory services, or financial advisory services related to securities trading and investment activities, RMB100 million if it engages in securities underwriting and sponsorship, securities margin trading, securities market-making, proprietary trading, or other securities business, and RMB500 million if it engages in two or more of these businesses. The registered capital of a securities company shall be paid-up capital.

The CSRC may adjust the minimum registered capital requirements in accordance with the principle of prudent supervision and the risk levels of various business activities, but such adjustments shall not result in amounts lower than the thresholds specified in the preceding paragraph.

According to the Regulations on the Examination and Approval of the Business Scope of Securities Companies (Provisional) (《證券公司業務範圍審批暫行規定》) (amended on and effective from March 27, 2025), securities companies under common control of an entity or individual or securities companies with control relationship among each other shall not engage in the same business, unless effective measures are in place for division of operation regions or target client bases and there is no competition between the companies. The business scope of a securities company shall be approved by the CSRC upon its establishment in accordance with the statutory requirements, and no more than four types of businesses shall be approved for a new company, unless otherwise specified by the CSRC. A securities company shall obtain approval from the CSRC for any change in its business scope, which can be categorized into increase and decrease of type of business. No more than two additional types of business can be applied for at once for securities companies. Subject to approval by the CSRC, a securities company may operate businesses not clearly stipulated by the Securities Law, the Regulations on the Supervision and Administration of Securities Companies and the rules and regulatory documents of the CSRC.

A securities company expanding its business scope shall comply with the following prudential requirements:

(a) The registered capital shall comply with the provisions of Article 121 of the Securities Law after the expansion of business scope;

(b) It shall have a sound governance structure and effective internal management systems to effectively control risks associated with both existing and proposed new business activities;

(c) All risk control indicators shall consistently meet regulatory requirements over the previous year, and the net capital shall remain compliant after the expansion of business scope;

The risk control indicators are stipulated in the Administrative Measures for Risk Control Indicators of Securities Companies (revised and implemented on March 20, 2020) and the Provisions on Calculation Standards for Risk Control Indicators of Securities Companies (revised in 2024, effective from January 1, 2025). For details, refer to "Regulatory Overview – Corporate Governance and Risk Control – Corporate Governance and Risk Control of Securities Companies – 2. Risk Control". Regarding net capital requirements, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies:

i. A securities company engaged in securities brokerage business shall maintain net capital not less than RMB20 million.

ii. A securities company engaged in one of the following businesses: securities underwriting and sponsorship, proprietary trading, securities asset management, or other securities businesses, shall maintain net capital not less than RMB50 million.

iii. A securities company engaged in securities brokerage, and one of the following businesses: securities underwriting and sponsorship, proprietary trading, securities asset management, or other securities businesses, shall maintain net capital not less than RMB100 million.

iv. A securities company engaged in two or more of the following businesses: securities underwriting and sponsorship, proprietary trading, securities asset management, or other securities businesses, shall maintain net capital not less than RMB200 million.

(d) The company shall not have been penalised for any major violations of laws or regulations over the previous 2 years, shall not have been subject to any major regulatory measures over the previous year, and shall not be under investigation by relevant authorities or self-regulatory industry organisations for suspected major violations of laws or regulations;

(e) The company shall have senior management personnel to oversee the proposed additional businesses and an adequate number of employees to engage in the proposed additional businesses;

(f) The information system shall operate securely and stably, with no major incidents over the previous year; the information system related to the applied-for business scope expansion shall comply with regulations;

(g) The company has obtained a securities business licence and operated continuously for at least one year, and more than six months shall have elapsed since the previous application was approved if it applies to expand business scope again;

(h) The existing business operations and management are in good condition;

(i) Other requirements of laws, administrative regulations, and the CSRC.

If a securities company applies to include innovative business activities in its business scope, it shall comply with the provisions of Article 5(2) of these regulations, namely: Such business activities shall not violate current laws, administrative regulations, and the regulations of the CSRC; the risks shall be measurable, controllable, and bearable; the business activities shall be highly relevant to the company's existing securities business, conducive to fully utilising its existing business outlets, customer resources, business expertise, or management experience, and beneficial to optimising customer services and enhancing the company's profit model. Where a subsidiary of a securities company engaged in securities business applies to expand its business scope, it shall also comply with the provisions of Article 7 of the Provisional Regulations on the Establishment of Subsidiaries by Securities Companies, namely:

(a) It shall have been in continuous operation for at least two years, have a good reputation, and have no record of major violations of laws or regulations over the previous 2 years;

(b) All risk control indicators shall consistently meet regulatory standards over the previous 12 months;

(c) It shall demonstrate sustained profitability and robust operational and management capabilities, with its market share of its principal business not lower than the industry average over the previous year;

(d) It shall have a sound corporate governance structure, a comprehensive risk management system, and an effective internal control mechanism;

(e) Other requirements of the CSRC.

Where a subsidiary meets the requirements of this Article, its shareholders may also apply to establish a separate subsidiary to conduct the additional securities business.

The four categories of business we conduct do not exceed the scope of business approved by the CSRC for the Company. In addition to obtaining the securities and futures business licence and other specific administrative permits for our actual business operations, we shall acquire membership, complete filing procedures, or enter into agreements with relevant associations, exchanges, registration and settlement/clearing companies when conducting particular business activities in particular institutions. The corresponding procedures shall not constitute administrative permits. For example, in 2024 we obtained:

- Qualification for Spot Bond Market Makers in the Interbank Bond Market

According to the Decision of the State Council on Cancelling and Delegating a Batch of Administrative Licensing Items (Guofa [2020] No. 13) (issued on September 13, 2020), the State Council cancelled the administrative licensing requirement for approving bilateral quotation providers in the interbank bond market. To implement this decision, the People's Bank of China issued the Notice on Improving the Management of Spot Bond Market Makers in the Interbank Bond Market (People's Bank of China Notice [2020] No. 21) (effective from April 1, 2021). Article 1 of this notice stipulates that market makers shall possess robust pricing capabilities, capital strength and risk management capabilities commensurate with the proposed market-making activities, as well as business systems and professional personnel capable of supporting market-making operations. According to the Operational Guidelines for Spot Bond Market Makers in the Interbank Bond Market of the National Interbank Funding Centre (effective from April 1, 2021), if a financial institution applying to become a spot bond market maker in the interbank bond market meets the requirements of Article 1 of the Notice on Improving the Management of Spot Bond Market Makers in the Interbank Bond Market, the National Interbank Funding Centre shall enter into the Agreement for Spot Bond Market Makers in the Interbank Bond Market of the National Interbank Funding Centre with it. During the six-month trial period for spot bond market making, if no specific circumstances stipulated in the guidelines occur, it shall formally commence spot bond market making business.

- Qualification for Underwriters of Non-Financial Corporate Debt Financing Instruments

According to the Administrative Measures for Non-Financial Corporate Debt Financing Instruments in the Interbank Bond Market (issued by the People's Bank of China Order [2008] No. 1 of April 9, 2008, effective from April 15, 2008), debt financing instruments issued by enterprises shall be underwritten by financial institutions. Enterprises may choose their own lead underwriters. Where an underwriting syndicate is required, the lead underwriter shall organise the syndicate. Enterprises issuing debt financing instruments shall register with the National Association of Financial Market Institutional Investors ("NAFMII"). The NAFMII shall implement self-regulatory oversight over the issuance and trading of debt financing instruments in accordance with these measures and relevant regulations of the People's Bank of China. The National Interbank Funding Centre ("NIFC") shall provide services for the trading of debt financing instruments in the interbank bond market. The NIFC shall be responsible for the daily monitoring of debt financing instrument transactions and shall compile and report monthly summaries of such transactions to the NAFMII.

According to the Market Evaluation Rules for Members Related to the Underwriting Business of Non-Financial Corporate Debt Financing Instruments of the National Association of Financial Market Institutional Investors ([2024] No. 16) (effective from October 18, 2024), members related to the debt financing instrument underwriting business of the NAFMII ("underwriting-related members") shall refer to members of the NAFMII who are authorised to engage in or intend to engage in debt financing instrument underwriting business in the interbank bond market, including lead underwriting members, underwriting members, and prospective underwriting members of the NAFMII. The NAFMII shall organise market participants to evaluate members related to the underwriting business and gradually establish a market-oriented classified and tiered membership management mechanism based on market evaluation outcomes. Market evaluations include market evaluations for entities applying to engage in underwriting-related business ("initial evaluations") and routine evaluations of underwriting business practices ("routine evaluations"). Initial evaluations primarily examine the business development foundation, capabilities, and market participation of underwriting-related members. Routine evaluations primarily examine the business performance, business quality, participation in market development and research and innovation, as well as compliance with market order and the self-regulatory rules of the NAFMII of underwriting-related members. Prospective underwriting members who participate in the market evaluation for engaging in underwriting activities and meet the evaluation criteria shall become underwriting members. Underwriting members who participate in the market evaluation for engaging in lead underwriting activities and meet the evaluation criteria shall become lead underwriting members.

3. Material changes

According to the Securities Law, a securities company shall obtain approval from the CSRC if it has any of the following material changes: change of the business scope, change of any major shareholders or actual controllers, and merger, division, cessation, dissolution and bankruptcy, which are subject to approval by the securities regulatory authorities of the State Council.

Pursuant to the Regulations on the Supervision and Administration of Securities Companies, any entity or individual that holds or actually controls 5% or more of equity in a securities company without approval shall be ordered by the securities regulatory authorities of the State Council to rectify the situation within a specified period; prior to such rectification, the corresponding equity shall not have voting rights.

According to the Announcement on Cancelation or Adjustment of Some Administrative Approval Items of Securities Companies (《關於取消或調整證券公司部分行政審批項目等事項的公告》) (effective from March 1, 2020), the following changes in a securities company shall be filed with the relevant local office of the CSRC after the changes occur: establishment or acquisition of, or investment in securities operating institutions outside of the PRC, changes to registered capital or equity that do not involve changes in the major shareholders or actual controllers of the company, and amendments to the company's articles of association.

4. Establishment of subsidiaries, branch offices and securities business units

According to the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) (amended on and effective from March 27, 2025), subject to the approval of the CSRC, securities companies may establish wholly-owned subsidiaries, and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law.

Pursuant to the Provisions on the Supervision of Branch Offices of Securities Companies (《證券公司分支機構監管規定》) (amended on and effective from October 30, 2020), branch offices of a securities company refer to branch companies and securities business units established by such securities company in the PRC for business operation. The establishment, acquisition or de-registration of branch offices of securities companies shall be filed with the local offices of the CSRC at the location of such branch offices.

Industry Entry for Futures Companies

1. Establishment

The establishment of a futures company shall be subject to the approval of the CSRC. The Futures and Derivative Law of the People's Republic of China (《中華人民共和國期貨和衍生品法》) (effective from August 1, 2022), the Regulation on the Administration of Futures Trading (《期貨交易管理條例》) (amended on and effective from March 1, 2017) and the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》) (amended on and effective from June 4, 2019) stipulate the requirements for the establishment of futures companies. These requirements primarily include: the company's articles of association comply with relevant provisions; major shareholders and actual controllers meet the corresponding conditions in terms of financials, integrity and compliance; conditions regarding the minimum registered capital are met; directors, supervisors, senior management personnel and employees possess the necessary qualifications; the company has a sound corporate governance structure, a robust risk management system, and a comprehensive internal control system; and the company possesses qualified business premises, operational facilities and information technology systems.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests or Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》) (promulgated on and effective from June 1, 2008), an entity shall not hold controlling interests and equity interests in more than two futures companies. In particular, it shall not hold controlling interests in more than one futures company.

2. Material changes

Pursuant to the Futures and Derivative Law of the People's Republic of China, approval of the CSRC shall be obtained for the following changes of futures companies: merger, demerger, cessation of business, dissolution, or bankruptcy filing, change in major shareholders or actual controllers of the company, change in the registered capital and adjustment of shareholding structure, and change in the business scope. According to the Measures for the Supervision and Administration of Futures Companies, an approval from the local office of the CSRC at the location of the futures company shall be obtained if the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders in the futures company is increased to 5% or above, except for two scenarios requiring approval from the CSRC, namely, changes in the controlling shareholder or the largest shareholder of the future company, and any increase in the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders to 5% or above, which involves overseas shareholders.

3. Establishment of subsidiaries and branch offices

Pursuant to the Measures for the Supervision and Administration of Futures Companies, a futures company shall meet the following conditions when establishing business units, branch companies and other domestic branch offices, primarily including that it maintains sound corporate governance and its internal control system meets relevant requirements and is effectively implemented; its risk regulatory indicators shall reach the prescribed criteria; it shall meet the requirements on the protection of client assets and the secure custody and monitoring of futures margins; it carries out business operations in a lawful and compliant manner; and establishment plans and business plans for branch offices conform to relevant provisions. When a futures company establishes its domestic branch offices, such as business units and branch companies, it shall report for record to the local office of the CSRC at its location after the relevant entities have been duly established.

Industry Entry for Alternative Investment Subsidiaries

In accordance with the Provisions on the Investment Scope of the Proprietary Trading Business of Securities Companies and Related Issues (《關於證券公司證券自營業務投資範圍及有關事項的規定》) (amended on and effective from March 20, 2020) issued by the CSRC, and the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) (amended on and effective from May 31, 2024) formulated by the Securities Association of China, securities companies qualified to conduct proprietary securities business may, in accordance with the law, establish alternative investment subsidiaries to engage in alternative investment businesses in financial products and equity beyond those listed in the List of Proprietary Securities Investment Items for Securities Companies (《證券公司證券自營投資品種清單》). Concurrently, a securities company shall clearly delineate the business scope between itself and its alternative investment subsidiary, as well as between its alternative investment subsidiary and other subsidiaries.

When establishing alternative investment subsidiaries, securities companies shall comply with the prudential requirements outlined in the aforementioned Regulations on Formation of Subsidiaries of Securities Companies (Provisional). Furthermore, the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) stipulate that, as a general principle, each securities company shall establish no more than one alternative investment subsidiary. Securities companies shall establish alternative investment subsidiaries on a wholly-owned basis using their own capital and are prohibited from indirectly co-investing with other investors in the establishment of alternative investment subsidiaries through any means, such as shareholding by proxy.

Industry Entry for Private Investment Fund Subsidiaries

1. Establishment

Securities companies shall comply with the prudential requirements set forth in the abovementioned Regulations on Formation of Subsidiaries of Securities Companies (Provisional) in establishing private investment fund subsidiaries. In accordance with the Management Rules for the Private Investment Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》) (amended on and effective from May 31, 2024), each securities company shall, as a general principle, establish no more than one private investment fund subsidiary. Securities companies shall establish private investment fund subsidiaries on a wholly-owned basis using their own capital and are prohibited from indirectly co-investing with other investors in the establishment of private investment fund subsidiaries through any means, such as shareholding by proxy. The establishment of any private investment fund subsidiaries by securities companies shall be registered with the AMAC.

2. Establishment of subsidiaries

Based on business development needs, private investment fund subsidiaries may establish secondary management subsidiaries, which are prohibited from establishing any further entities. The shareholding or capital contribution percentage of a private investment fund subsidiary in a secondary management subsidiary shall be no less than 35%, and the private investment fund subsidiary shall possess management control rights commensurate with or exceeding those of the co-investor. If a private investment fund subsidiary has established multiple secondary management subsidiaries, the business scope of each secondary management subsidiary shall be clearly defined.

Industry Entry for Mutual Fund Management Companies

1. Establishment

Pursuant to the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》) (amended on and effective from March 27, 2025), the establishment of a fund management company is subject to approval by the CSRC. The primary conditions for establishing a fund management company include: its shareholders and actual controllers shall meet the requirements in terms of compliance, integrity and financials; its articles of association shall comply with relevant provisions; its registered capital shall meet the minimum threshold and be fully paid in by shareholders using legally sourced proprietary funds, and foreign shareholders shall be able to freely convert currencies for contribution; its directors, supervisors, senior management personnel and staff responsible for research, investment, operations, sales, and compliance, comply with relevant provisions, with the number of such individuals meeting specified requirements; its company name, business premises, security facilities, and other equipment necessary for business operations meet relevant requirements; it shall establish a well-defined organizational structure with reasonable division of labor and clear responsibilities, along with designated job positions; and internal management systems compliant with the regulations of the CSRC shall be in place.

2. Material changes

Pursuant to the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》), fund management companies shall seek approval from the CSRC for the following material changes, including: changes in actual controllers, major shareholders, and non-major shareholders holding more than 5% equity; changes in shareholders holding less than 5% equity but having a significant impact on corporate governance; the establishment of domestic subsidiaries engaged in asset management and related businesses; mergers and divisions of the company; and other significant matters stipulated by the CSRC.

Fund management companies shall file the following matters with the local offices of the CSRC: changes to registered capital or equity that are not among those requiring approval as listed above (unless otherwise stipulated by the CSRC); amendments to the company's articles of association; and the closure of subsidiaries or material changes within subsidiaries.

In addition to matters requiring approval or filing by the CSRC, the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Managers also stipulate several matters required to be reported to the CSRC.

3. Establishment of subsidiaries and branch offices

Pursuant to the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Managers and the Provisions on Administration of Subsidiaries of Fund Management Companies (《基金管理公司子公司管理規定》) (effective from December 15, 2016), the establishment of subsidiaries and branch offices by fund management companies is subject to specific conditions. Notably, the establishment of subsidiaries requires approval from the CSRC, while the establishment of branch offices necessitates filing with the local offices of the CSRC at the location of such branch offices.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

1. Corporate Governance

The corporate governance structure of securities companies is stipulated by the Company Law, the Securities Law, the Regulations on the Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies (《證券公司治理準則》) (amended on and effective from March 27, 2025), the Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》) (effective from December 15, 2003), and the Transitional Arrangements for the Implementation of the Supporting Rules of the New Company Law (《關於新<公司法>配套制度規則實施相關過渡期安排》) issued by the CSRC. A-share listed companies and state-owned holding companies shall also concurrently comply with governance structure requirements for listed companies and state-owned enterprises.

The Administrative Measures for the Supervision of Directors, Supervisors, Senior Managers and Practitioners of Securities and Fund Institutions (**《證券基金經營機構董事、監事、高級管理人員及從業人員監督管理辦法》**) (amended on 19 February 2025, effective from 27 March 2025) stipulate the appointment management and professional conduct of directors, supervisors, senior managers and practitioners of securities and fund management institutions. Securities and fund institutions shall, file with the relevant local offices of the CSRC when appointing directors, supervisors, senior managers and branch heads in accordance with the law. Directors, supervisors, and senior managers of securities and fund institutions shall meet a series of qualification requirements and comply with corresponding professional code of conduct and performance standards. Where the chairman, senior managers, or branch heads of a securities and fund institution resign, the institution shall conduct an audit and submit the resignation audit report to the relevant local offices of the CSRC within two months of their resignation. Securities practitioners shall meet the conditions for engaging in securities business and register with the Securities Association of China as stipulated, and shall comply with the relevant performance standards.

2. Risk Control

The Securities Law stipulates the risk control system for securities companies, including: securities companies shall establish and improve internal control systems, adopt effective segregation measures, and prevent conflicts of interest between the company and its clients, as well as among different clients. Securities companies must conduct their securities brokerage business, securities underwriting business, proprietary trading business, market-making business, and securities asset management business separately, and shall not engage in mixed operations.

The Measures for the Administration of Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) (amended on and effective from March 20, 2020) provides that securities companies shall, in accordance with the relevant provisions of the CSRC, establish a comprehensive risk management system that meets the needs of their own development strategies. Securities companies shall incorporate all their subsidiaries, as well as all types of sub-subsidiaries that are managed by reference to subsidiaries, into the comprehensive risk management system, strengthen risk management of branch offices, and achieve full coverage of risk management. The comprehensive risk management system shall include operable management rules, a sound organizational structure, reliable information technology systems, a quantifiable system of risk indicators, a team of qualified professionals, and effective risk response mechanisms. Securities companies shall, in accordance with the relevant provisions of the CSRC and adhering to the principles of prudence and substance over form, calculate net capital, risk coverage ratio, capital leverage ratio, liquidity coverage ratio, net stable funding ratio, and other risk control indicators, and prepare regulatory reports such as the Statement of Net Capital, the Statement of Risk Capital Reserves, the Statement of Total On- and Off-Balance Sheet Assets, the Statement of Liquidity Coverage Ratio, the Statement of Net Stable Funding Rate, and the Statement of Risk Control Indicators (collectively referred to as "Risk Control Indicator Regulatory Reports"). Securities companies shall, within 7 working days from the end of each month, submit the monthly Risk Control Indicator Regulatory Reports to the CSRC and its local offices.

The Provisions on the Calculation Standards for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》) (amended in 2024 and effective from January 1, 2025) set forth the calculation standards for Risk Control Indicator Regulatory Reports, specifically including six appendices: Calculation Sheet of Net Capital of Securities Companies, Calculation Sheet of Risk Capital Reserves of Securities Companies, Calculation Sheet of Total On-Balance Sheet and Off-Balance Sheet Assets of Securities Companies, Calculation Sheet of Liquidity Coverage Ratio of Securities Companies, Calculation Sheet of Net Stable Funding Rate of Securities Companies, and Calculation Sheet of Risk Control Indicators of Securities Companies.

To urge securities companies to establish and improve a dynamic monitoring mechanism for risk control indicators, enhance risk monitoring, and conduct all business operations under the premise that risks are measurable, controllable, and bearable, the Securities Association of China issued and implemented the Guidelines for the Dynamic Monitoring System of Risk Control Indicators of Securities Companies on 30 December 2016, requiring securities companies to establish a dynamic monitoring system for risk control indicators ("dynamic monitoring system") to achieve dynamic monitoring and automatic early warning for risk control indicators such as net capital and liquidity. The dynamic monitoring system shall possess at least the following features: It shall cover all business data affecting risk control indicators such as net capital and liquidity, dynamically calculate risk control indicators such as net capital and liquidity, automatically issue early warnings for risk control indicators such as net capital and liquidity based on pre-set thresholds and monitoring standards, and generate dynamic monitoring reports for risk control indicators such as net capital and liquidity. Securities companies shall incorporate the effectiveness assessment of the dynamic monitoring system into their internal control effectiveness evaluation, and adjust and improve the system in a timely manner in response to changes in market conditions, business development, technology, and the regulatory environment, to ensure that the system maintains data integrity, functional completeness, operational stability, and robust supporting policies, thereby effectively supporting the their risk control indicator monitoring.

3. Compliance Management

Pursuant to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) (amended on and effective from March 20, 2020), securities companies and securities investment fund management companies shall implement compliance management in accordance with these Measures. The compliance management shall cover all business lines, all departments, all branch offices, subsidiary companies at all levels and all staff members of the company, and exist in all links including decision-making, execution, supervision and feedback, among others. Securities and funds business institutions shall have chief compliance officers. A chief compliance officer is a senior executive who is directly responsible to the board of directors, and shall examine, supervise and inspect the compliance of the operation management and practicing behavior of the company and its staff members. The chief compliance officer of a securities and funds business institution shall organize the drafting of the basic compliance management rules and other compliance management rules, and urge and guide the implementation of such rules by all subordinate entities.

4. Classified Regulation

According to the Provisions on the Classified Evaluation of Securities Companies (《證券公司分類評價規定》) (amended on and effective from August 22, 2025), the CSRC, based on the risk management capability and continuous compliance performance of securities companies, and taking into account their business development and functional performance, classifies securities companies into five categories with eleven levels, ranked from high to low as follows: A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D, and E.

In line with the principle of classified regulation, the CSRC prescribes different standards for risk control indicators and different calculation ratios for risk capital reserves for securities companies in different categories, and differentiates in terms of allocation of regulatory resources, as well as the frequency of on-site inspections and off-site inspections.

The results of the classification may serve as prudential considerations for securities companies in: (i) applying for expansion of business scope, public offering, and listing; (ii) determining the scope of pilot programs and the order of rollout for new businesses and new products; and (iii) determining, by the China Securities Investor Protection Fund Corporation, the specific contribution ratios to the Securities Investor Protection Fund payable by securities companies of different levels, based on their classification results.

Corporate Governance and Risk Control of Futures Companies

1. Corporate Governance

According to the Measures for the Supervision and Administration of Futures Companies (《期貨公司監督管理辦法》), futures companies shall, in accordance with the principles of clear division of responsibilities, strengthened checks and balances, and enhanced risk management, establish and improve corporate governance. Futures companies shall strictly separate themselves from their shareholders, actual controllers, and other related parties in respect of business, personnel, assets, and finance, and shall operate independently with independent accounting. Futures companies shall establish a board of directors, and establish a board of supervisors or supervisors in accordance with the provisions of the Company Law. Futures companies may appoint independent directors, who shall not hold any positions other than as directors within the board of directors of the futures company, and shall not have any relationships with the company that may impair their ability to make independent and objective judgments.

2. Risk Control

According to the Measures for the Supervision and Administration of Futures Companies and the Regulation on the Administration of Futures Trading, for a futures company engaging in the futures brokerage business and other futures businesses, it shall strictly follow the principle of separation of business and separation of funds, and shall not mix them up.

The Measures for the Administration of Risk-Based Regulatory Indicators of Futures Companies (《期貨公司風險監管指標管理辦法》) (effective from August 12, 2022) set forth the standards and calculation requirements for risk regulatory indicators that futures companies must continuously satisfy. Futures companies shall, in accordance with the methods prescribed by the CSRC, prepare and submit risk regulatory reports, and shall engage accounting firms that meet the prescribed qualifications to audit their annual risk regulatory reports.

3. Classified Regulation

Pursuant to the Provisions on the Classified Evaluation of Futures Companies (《期貨公司分類評價規定》) (amended on and effective from September 12, 2025), the CSRC, based on the continuous compliance performance and risk management capability of futures companies, and taking into account their market competitiveness, capacity to serve the real economy, etc., classifies futures companies into five categories with eleven levels, ranked from high to low as follows: A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D, and E. In line with the principle of classified regulation, the CSRC makes differentiated arrangements in the allocation of regulatory resources, the frequency of on-site inspections and off-site inspections, and calculates risk supervision indicators for futures companies of different categories based on different standards.

Corporate Governance and Risk Control of Alternative Investment Subsidiaries

1. Corporate Governance

According to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) issued by the Securities Association of China, securities companies shall, through the appointment or designation of directors and supervisors, and the recommendation or assignment of senior management personnel or candidates for key positions, ensure management control over their alternative investment subsidiaries and safeguard the effectiveness of investment decision-making and business management.

2. Risk Control

Securities companies shall incorporate the compliance and risk management of their alternative investment subsidiaries into the company's comprehensive risk management system, so as to prevent compliance risk, liquidity risk, market risk, credit risk, operational risk, and other risks arising from the businesses of alternative investment subsidiaries, and to ensure that the compliance management of the securities company covers all staff members and all processes of such subsidiaries. Securities companies shall urge their alternative investment subsidiaries to establish and improve internal control systems, risk management systems, and compliance management systems, and to establish and implement mechanisms for assessing the effectiveness of the above systems as well as internal accountability mechanisms. They shall also establish mechanisms for monitoring business risks of alternative investment subsidiaries, systems for stress testing, and systems for risk resolution. Securities companies shall establish and improve mechanisms for identifying and managing conflicts of interest, so as to promptly and accurately identify potential conflicts of interest that may arise between the businesses of securities companies—such as investment banking, proprietary trading, asset management, investment advisory, and private funds—and alternative investment businesses, assess the scope and degree of their impact, and adopt effective measures to manage conflict-of-interest risks.

Corporate Governance and Risk Control of Private Fund Subsidiaries

1. Corporate Governance

According to the Management Rules for the Private Investment Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, similar to the administration of alternative investment subsidiaries, securities companies shall also ensure management control over their private fund subsidiaries by appointing senior management personnel responsible for compliance and risk management. The concurrent positions of relevant personnel shall comply with applicable requirements in order to prevent conflicts of interest. The same senior management personnel of a securities company shall not concurrently be responsible for both investment banking business and private fund business.

2. Risk Control

Similar to the risk control requirements applicable to alternative investment subsidiaries of securities companies, private fund subsidiaries and second-tier management subsidiaries of securities companies are likewise incorporated into the comprehensive risk management system of the securities company, and shall establish and improve internal control systems as well as mechanisms for identifying and managing conflicts of interest.

Corporate Governance and Risk Control of Mutual Fund Management Companies

1. Corporate Governance

Pursuant to the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》), a manager of a mutual fund shall, in accordance with laws, administrative regulations and the rules of the CSRC, establish a governance structure with a sound organizational structure, clear division of responsibilities, effective balancing and supervision, and reasonable incentives and constraints, to ensure independent and standardized operation. Fund management companies shall establish and improve the system of independent directors.

2. Risk Control

A manager of a mutual fund shall, in accordance with the rules of the CSRC, establish comprehensive, scientific and rational, strictly controlled, and efficient internal control mechanisms and risk management systems, administrate the management of mutual fund and other business in a centralized and unified manner, establish a firewall mechanism for personnel, business, venues, etc., maintain legal and compliant operation, and maintain sound and effective internal control.

3. Compliance Management

Pursuant to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), similar to the compliance management requirements applicable to securities companies, managers of mutual fund shall also implement compliance management in accordance with these Measures. They shall appoint a chief compliance officer, who shall organize the formulation of basic compliance management rules and other compliance management systems, and supervise their implementation by subordinate entities.

Business Supervision

Our business is primarily divided into four major segments: asset management related business, investment related business, investment banking related business, and wealth management related business.

Asset Management Related Business

Asset Management Business

Pursuant to the Administrative Measures on Private Asset Management Business of Securities and Futures Institutions (《證券期貨經營機構私募資產管理業務管理辦法》) (amended and issued on January 12, 2023, and effective from March 1, 2023), securities and futures operating institutions engaging in private asset management must, under certain prescribed conditions, obtain approval from the CSRC, unless otherwise provided by laws, administrative regulations, or separate provisions of the CSRC. Securities and futures operating institutions may not conduct private asset management business on-balance sheet, nor may they, in any manner, make commitments to investors regarding protection of principal against loss or guaranteed minimum returns. Securities and futures operating institutions may establish single asset management plans for a single investor, or collective asset management plans for multiple investors. Asset management plans must have clear and lawful investment directions, exhibit defined risk-return characteristics, and distinguish among the underlying asset classes to which they are ultimately allocated. In accordance with relevant provisions, asset management plans must be categorized as fixed income, equity, futures and derivatives, or mixed. Asset management plans shall be raised privately and only from qualified investors. The board of directors and senior management of securities and futures institutions shall fully understand private asset management operations and the various risks they face. Based on factors such as the institution's operational objectives, investment management capabilities, and risk management proficiency, they shall reasonably determine the overall strategy for conducting private asset management business and designate senior managers to be responsible for its implementation. Securities and futures institutions shall establish and improve management systems relating to private asset management operations, covering all aspects of the business, including investor suitability, investment decision-making, fair trading, accounting, risk control, compliance management, and complaint handling, and clearly defining job responsibilities and accountability mechanisms, to ensure the effective implementation of all systems and procedures. Securities and futures institutions shall establish and improve management systems for related-party transactions, standardising criteria for identifying related-party transactions, transaction pricing methods, and transaction approval procedures, and shall not engage in improper transactions, transfer of benefits, insider trading, or market manipulation with related parties using assets under management plans. When engaging in related-party transactions using assets under management plans, securities and futures institution shall comply with laws, administrative regulations, CSRC rules, and contractual agreements, obtain prior consent from investors, promptly inform investors and custodians afterward, and report to the relevant local offices of the CSRC.

Administrative Provisions on the Operation of Private Asset Management Plans of Securities and Futures Broker-Dealers **(《證券期貨經營機構私募資產管理計劃運作管理規定》)** (revised and promulgated on 12 January 2023, effective from 1 March 2023) further stipulates the fundraising, investment, risk management, valuation and accounting, information disclosure, and other operational activities of asset management plans of securities and futures institutions. Asset management plans shall be offered to qualified investors through private placement. Qualified investors refer to natural persons, legal entities, or other organisations possessing corresponding risk identification and risk tolerance capabilities, investing no less than a certain amount in a single asset management plan and meeting specific conditions. The initial fundraising scale of an asset management plan shall not be less than RMB10 million. Closed-end asset management plans specialising in investments in equity of unlisted companies shall comply with certain conditions when expanding the fundraising scale. The regulations prohibit asset management plans from directly or indirectly investing in projects that violate national industrial or environmental protection policies (excluding securities market investments), and stipulate the ratios of investment in certain assets by certain asset management plans, including that the ratio of senior to junior tranches in fixed-income asset management plans shall not exceed 3:1, the ratio of senior to junior tranches in equity asset management plans shall not exceed 1:1, and the ratio of senior to junior tranches in futures and derivatives and mixed asset management plans shall not exceed 2:1. Furthermore, the regulations stipulate that tiered asset management plans shall not invest in other tiered or structured financial products, nor shall they directly or indirectly provide capital protection or guaranteed return arrangements to subscribers of senior shares.

Private Equity Investment Fund Business

According to the Management Rules for the Private Investment Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, as subsidiaries of securities companies, private fund entities may not directly or indirectly engage in private lending, guarantees, factoring, pawn, financial leasing, online lending intermediation, crowdfunding, off-exchange margin financing, or any business that conflicts with or is irrelevant to private fund management, with the exception of financial advisory services related to equity investment. They may not engage in, or in disguised form engage in, substantive business operations, save for financial investments.

Pursuant to the Regulation on the Supervision and Administration of Private Investment Funds (《私募投資基金監督管理條例》) (effective from September 1, 2023), private fund managers are required, upon completion of private fund fundraising, to submit materials to the registration and filing authority in order to complete fund filing.

Mutual Fund Management Business

According to the Securities Investment Fund Law of the People's Republic of China (《中華人民共和國證券投資基金法》) (amended on and effective from April 24, 2015), the fund management institution of a publicly offered fund shall be a fund management company or any other institution confirmed by the securities regulatory authority of the State Council in accordance with the relevant provisions. Publicly offered funds must be registered with the securities regulatory authorities of the State Council; no public offering, or disguised public offering, may be made without registration.

The Measures for the Administration of the Operations of Publicly Offered Securities Investment Funds (《公開募集證券投資基金運作管理辦法》) (effective from August 8, 2014) regulate the offering of mutual funds, the purchase, redemption, and trading of fund shares, the investment of fund assets, the distribution of fund profits, the holding of the shareholders' meeting of a fund, and other fund operations.

Investment Related Business

Proprietary Trading Business

Pursuant to the Securities Law and the Regulations on the Supervision and Administration of Securities Companies, the proprietary trading business of securities companies is limited to the purchase and sale of lawfully publicly issued stocks, bonds, warrants, securities investment funds, or other securities recognized by the securities regulatory authorities of the State Council. When engaging in proprietary trading, securities companies must use proprietary trading accounts registered in their real names and trade in their own names, and they may not trade in the names of others or in personal names. Proprietary trading must be conducted with the companies' own funds or funds lawfully raised. Securities companies may not lend their proprietary trading accounts to others. The Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》) (effective from November 23, 2005) set forth specific requirements regarding decision-making and authorization, operations, risk monitoring, and information reporting in relation to proprietary trading.

According to the Regulations on the Investment Scope and Related Matters of Proprietary Securities Trading Business for Securities Companies (revised and implemented on 20 March 2020), securities companies qualified for proprietary securities trading may engage in financial derivatives trading. When conducting proprietary securities trading, securities companies may buy and sell the securities listed in the List of Proprietary Securities Investment Items for Securities Companies annexed to the regulations, specifically:

(a) Securities listed or legally permitted to be listed for trading and transferring on domestic stock exchanges.

(b) Securities listed for transfer on the National Equities Exchange and Quotations.

(c) Private placement bonds listed or legally permitted to be listed for transfer on regional equity trading markets that meet prescribed requirements, and shares listed for transfer on such regional equity trading markets.

(d) Securities listed and legally permitted to be traded on the domestic interbank market.

(e) Securities approved or filed for issuance by national financial regulatory authorities or their authorised agencies and traded over-the-counter at domestic financial institutions.

Market-Making Business on the NEEQ

Pursuant to the Interim Measures for the Administration of National Equities Exchange and Quotations Co., Ltd. (《全國中小企業股份轉讓系統有限責任公司管理暫行辦法》) (amended on and effective from December 7, 2017) and the Business Rules of the National Equities Exchange and Quotations (for Trial Implementation) (《全國中小企業股份轉讓系統業務規則(試行)》) (effective from December 30, 2013), the NEEQ adopts the sponsoring broker system. Securities companies engaging in sponsoring broker business on the NEEQ are referred to as sponsoring brokers. Sponsoring brokers engaging in market-making activities must possess qualifications for proprietary trading business.

Alternative Investment Business

Pursuant to the Management Rules for the Alternative Investment Subsidiaries under Securities Companies (《證券公司另類投資子公司管理規範》) formulated by the Securities Association of China, subsidiaries of securities companies engaging in alternative investment business—other than those varieties listed in the List of Proprietary Securities Investment Items for Securities Companies (《證券公司證券自營投資品種清單》) —may invest in financial products, equity interests, bulk commodities, shares of companies listed on the NEEQ, as well as other investment varieties recognized by the CSRC. However, they may not engage in business activities other than investment.

Investment Banking Related Business

Pursuant to the Guidelines for the Internal Controls of the Investment Banking Business of Securities Companies (《證券公司投資銀行類業務內部控制指引》) (effective from July 1, 2018), to carry out investment banking business, a securities company shall, according to relevant provisions, establish and improve the systems and mechanisms of internal controls, and ensure the effective implementation of internal controls. These Guidelines set out detailed requirements concerning the organizational structure for internal control, internal control safeguards, primary control measures at various stages of projects, project management, and working papers in the course of securities companies' investment banking business. The specific types of investment banking business and corresponding regulatory requirements include the following:

Sponsorship and Underwriting of Securities

According to the Measures for the Administration of the Sponsorship Business for the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》) (amended on and effective from March 27, 2025), securities companies engaging in sponsorship business for securities issuance and listing must satisfy the prescribed conditions and apply to the CSRC for qualifications as a sponsoring institution in accordance with these Measures.

According to the Measures for the Administration of Securities Offerings and Underwritings (《證券發行與承銷管理辦法》) (amended on and effective from March 28, 2025), these Measures apply to the issuance of shares, depositary receipts, or convertible corporate bonds within the PRC, the underwriting of securities within the PRC by securities companies, and investors' subscription of securities issued domestically, as well as public offerings of shares held by shareholders at the time of an initial public offering. These Measures set forth detailed provisions regarding pricing and allocation, securities underwriting, information disclosure, supervision, and legal liability in the course of securities issuance involving issuers, securities companies, and investors.

Corporate Bond Underwriting

Pursuant to the Measures for the Administration of the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) (amended on and effective from October 20, 2023), every issuance of corporate bonds must be underwritten by a securities company qualified for securities underwriting business. For publicly offered corporate bonds, the issuer shall appoint a bond trustee for bondholders and enter into a bond-trust deed. For privately placed corporate bonds, the issuer must set out the bond-trust arrangements in the offering circular. The bond trustee may be the underwriting institution for the current issuance or any other institution recognized by the CSRC; a bond trustee must be a member of the Securities Association of China. The underwriting institutions and bond trustees that provide services for the issuance of corporate bonds shall act with due diligence, strictly comply with the code of practice and regulatory rules, and fulfill obligations as required and as agreed. In addition, the Regulations on the Administration of Enterprise Bonds (《企業債券管理條例》) (amended on and effective from January 8, 2011) provide that issuance of corporate bonds must be underwritten by a securities institution.

Financial Advisory Services for M&A and Restructuring of Listed Companies

Pursuant to the Measures for the Administration of Financial Advisory Services for M&A and Restructuring of Listed Companies (《上市公司並購重組財務顧問業務管理辦法》) (effective from August 4, 2008), a securities firm that has been approved by the CSRC and holds a license for financial-advisory services in respect of M&A and restructuring of listed companies may engage in such advisory business in accordance with the regulations. To obtain the license, the securities firm must satisfy the prescribed conditions. When appointed as an independent financial adviser to a listed company, the firm must remain independent and must not have any conflict of interest with the listed company.

Chief Agency Broker Services on the NEEQ

A securities firm that acts as a chief agency broker on the NEEQ and engages in recommendation services must hold qualifications for securities underwriting and sponsorship. The chief agency broker is required to provide continuous guidance and supervision over the companies listed on the NEEQ that it recommends.

Asset Securitization Business

Under the Administrative Measures for Asset Securitization Business of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) (effective from November 19, 2014), a securities company engaged in asset securitization business must hold a license for client asset-management business; a subsidiary of fund management companies must be established by a securities-investment-fund manager and hold a license for specific-client asset-management business.

Wealth Management Related Businesses

Securities Brokerage Business

Under the Securities Law, the Regulations on the Supervision and Administration of Securities Companies and the Measures for the Administration of Securities Brokerage Business (《證券經紀業務管理辦法》) (effective from February 28, 2023), a securities company engaging in brokerage business must: observe the real-name requirement for accounts; strengthen identity verification on institutional investors and individual investors whose financial assets exceed the prescribed threshold; classify investors as either retail or professional in accordance with the Measures for the Administration of Suitability of Securities and Futures Investors (《證券期貨投資者適當性管理辦法》) (amended on and effective from August 12, 2022), and further sub-divide retail investors by investment experience and history to provide tailored trading services; segregate each client's trading-settlement funds in a designated commercial bank in an account opened in the client's own name, and neither the client's trading-settlement funds nor the securities may be commingled with the securities company's own assets; refuse any general power of attorney that authorizes the securities company to decide when or what securities to trade, or the quantity or price of such trades; and carry out investor education.

On 27 October 2025, the CSRC issued the Opinions on Strengthening the Protection of Small and Medium Investors in the Capital Market, urging operating institutions to fulfil their responsibilities for investor education services and suitability management. The Opinions also urge operating institutions to conduct investor education in a substantive and meticulous manner, including it in business processes to enhance its relevance and effectiveness. Prior to selling financial products or providing services to investors, operating institutions shall thoroughly explain business rules, clarify key contractual terms, and fully disclose relevant risks. The Opinions emphasize the investment suitability management responsibilities of distributing institutions, and urge distributing institutions to fully fulfill their obligation to explain and disclose risks when selling financial products, thus enabling investors to better understand product risks and make prudent investment decisions.

Securities Investment Advisory Services

Under the Interim Measures for the Administration of Securities and Futures Investment Consultancy (《證券、期貨投資諮詢管理暫行辦法》) (effective from April 1, 1998), any institution providing securities investment advisory services must first obtain a license issued by the CSRC; individuals may engage in securities investment advisory services only after obtaining the requisite professional qualification and joining a licensed securities-investment consultancy.

Under the Interim Provisions on Securities Investment Advisory Business (《證券投資顧問業務暫行規定》) (amended on October 2020 and effective from November 1, 2020): securities investment advisory services are a fundamental form of securities investment consultancy; securities companies, securities investment advisory institutions and their personnel must act in good faith, exercising diligence and prudence when serving clients; when providing securities investment advisory services, securities companies, securities investment advisory institutions and their personnel must place clients' interests first and must not: prejudice clients' interests for the benefit of the firm or its affiliates, prejudice clients' interests for the adviser or the adviser's associates, or favor one client to the detriment of others. Personnel providing securities investment advisory services to clients shall meet relevant professional qualifications and be registered as securities investment advisers with the Securities Association of China. Securities investment advisers may not concurrently be registered as securities analysts. Securities companies and securities investment advisory institutions shall establish management systems for securities investment advisers, and strengthen the management of their registration, job responsibilities, and professional conduct.

Under the Interim Provisions on the Publication of Securities Research Reports (《發佈證券研究報告暫行規定》) (amended on and effective from March 20, 2020): publishing securities research reports is another fundamental form of securities investment consultancy; securities companies and securities investment advisory institutions that publish securities research reports must comply with applicable laws and administrative regulations, adhere to principles of independence, objectivity, fairness and prudence, effectively manage conflicts of interest, treat recipients equitably, and are prohibited from disseminating false, inaccurate or misleading information or from engaging in insider trading or market-manipulation activities. Securities companies and securities investment advisory institutions publishing securities research reports shall establish a special research department or subsidiary, establish a sound business management system, and conduct centralized uniform management of the publication of securities research reports and the relevant personnel. The relevant personnel engaged in the securities research reports publication business are prohibited from concurrently engaging in businesses that present conflicts of interest, such as proprietary securities trading or securities asset management. Where senior management personnel of a company manage both the securities research reports publication business and other securities business concurrently, the company shall take measures to prevent conflicts of interest and maintain sufficient evidence demonstrating that such conflicts of interest have been effectively prevented. When securities companies and securities investment advisory institutions authorize other institutions to publish or redistribute their securities research reports or summaries, they shall enter into a contractual agreement with the relevant institutions which shall specify the responsibilities for publication and redistribution, require the relevant institutions to identify the original publisher and publication date of the securities research report, and provide a warning about the risks involved in using the securities research report. Any unauthorized publication or redistribution of a securities research report shall bear corresponding legal liability.

Securities Margin Trading Business

According to the Measures for the Administration of Securities Margin Trading Business of Securities Companies (《證券公司融資融券業務管理辦法》) (effective from July 1, 2015), securities companies must obtain approval from CSRC to conduct securities margin trading business.

In accordance with the Internal Control Guidelines for Securities Margin Trading Business of Securities Companies (《證券公司融資融券業務內部控制指引》) (amended on and effective from October 26, 2011), the Implementation Rules for Securities Margin Trading on the Shanghai Stock Exchange (《上海證券交易所融資融券交易實施細則》) (amended on and effective from September 8, 2023), the Implementation Rules for Securities Margin Trading on the Shenzhen Stock Exchange (《深圳證券交易所融資融券交易實施細則》) (amended on and effective from September 8, 2023), and the Securities Margin Trading Rules of the Beijing Stock Exchange (《北京證券交易所融資融券交易細則》) (amended on and effective from September 8, 2023), securities companies engaged in margin trading business must ensure the safety of client assets, strengthen risk monitoring and business auditing, and comply with specified business processes and eligible target securities.

Distribution of Financial Products Business and Distribution of Securities Investment Funds Business

Pursuant to the Provisions on the Administration of Securities Companies Distributing Financial Products (《證券公司代銷金融產品管理規定》) (amended on and effective from March 20, 2020), securities companies may distribute various types of financial products that are issued domestically and have been approved or filed by relevant state authorities or their authorized institutions, unless otherwise prohibited by laws, administrative regulations, or relevant state authorities. Securities companies must obtain the qualification to distribute financial products to engage in such activities. The local CSRC office in the securities company's place of residence shall review and approve the application for this qualification in accordance with the conditions and procedures for adding conventional business types.

In accordance with the Measures for the Supervision and Administration of Publicly Offered Securities Investment Fund Distribution Institutions (《公開募集證券投資基金銷售機構監督管理辦法》) (effective from October 1, 2020), securities companies engaged in fund distribution business must apply to the local CSRC office in their place of residence for registration to obtain fund distribution business qualifications and secure the Securities and Futures Business License, provided they meet the necessary conditions.

Futures Brokerage

Under the Futures and Derivative Law of the People's Republic of China and the Regulation on the Administration of Futures Trading, a futures company that has been approved by the CSRC may engage in the following futures-related activities: futures brokerage, futures trading advisory services, futures market-making, and other futures businesses. If a futures company engages in asset-management business, it must also comply with the Securities Investment Fund Law of the People's Republic of China and other relevant laws and administrative regulations. A futures company must handle its futures brokerage, market-making, asset-management and other related businesses separately; commingling of these operations is prohibited. When a futures company accepts a client's order to trade on the client's behalf, it must enter into a written agency agreement and execute the futures trades in its own name; the trading results are borne by the client. The futures company may not guarantee profits to the client, nor may it agree to share profits or losses with the client in connection with the brokerage business. In conducting brokerage business, a futures company may not accept any client's fully discretionary authorization.

Other Regulatory Provisions

Provisions on PRC Taxation

1. Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華 人民共和國企業所得稅法》) (amended on and effective from December 29, 2018) and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (amended on and effective from January 20, 2025), Chinese resident enterprises are generally subject to enterprise income tax at 25%, unless the enterprise or project qualifies for sector-specific preferential rates.

2. Value-Added Tax

According to the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》) (effective from January 1, 2026), any entity or individual (including individual industrial and commercial households) that sells goods, services, intangible assets or real property ("taxable transactions") within the territory of the PRC, or that imports goods, is a VAT taxpayer and must pay VAT in accordance with the Law. Taxpayers selling services or intangible assets shall be subject to a 6% tax rate, except in the following cases: those specified in Item 1 of this Article shall apply a 13% tax rate, those specified in Item 2 shall apply a 9% tax rate, and those specified in Item 5 shall apply a 0% tax rate. Item 5 refers to the circumstance where domestic entities and individuals engage in cross-border sales of services or intangible assets within the scope prescribed by the State Council, which is subject to a 0% tax rate.

Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on VAT Policy for Interest Income from Government Bonds and Other Bonds (《財政部 稅務總局關於國債等債券利息收入增值稅政策的公告》), interest income from government bonds, local-government bonds and financial bonds issued on or after August 8, 2025 will again be subject to VAT. Interest income from government bonds, local-government bonds and financial bonds issued before August 8, 2025 (including any additional tranches issued on or after that date) remains VAT-exempt until the bonds mature.

Foreign Exchange Administration

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (amended on and effective from August 5, 2008), international payments and transfers are categorized into current account items and capital account items. The PRC imposes no restrictions on current account international payments and transfers, while capital account transactions are subject to approval by the State Administration of Foreign Exchange.

According to the Regulations on Foreign Exchange Administration, foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Foreign exchange receipts for capital account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange with approval by the foreign exchange administration authorities, unless otherwise exempted by state regulations. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas negotiable securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council. Such entities or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration.

Information Disclosure

1. Information Disclosure by Securities Companies

Notice on Matters Concerning the Public Disclosure of Information by Securities Companies (《關於證券公司信息公示有關事項的通知》) (effective from August 1, 2006) requires every securities company to publish, through the website of the Securities Association of China and its own website, its basic corporate information, business outlets, types of licenses and products, senior-management roster, etc.

Rules on Content and Format of Annual Reports of Securities Companies (《證券公司年度報告內容與格式準則》) (effective from January 1, 2014) oblige each securities company to prepare its annual report in accordance with these Rules and file it with the CSRC within four months after the end of each fiscal year. A securities company that has publicly offered securities must, in addition to observing these Rules, prepare and disclose its annual reports in accordance with the relevant regulations on information disclosure for companies that publicly issue securities. A securities company that has not publicly offered securities must publish the information prescribed by these Rules and must disclose the full text of its auditor's report and audited financial statements (excluding notes).

2. Information disclosure by futures companies

According to the Provisions on the Administration of Information Disclosure by Futures Companies (《期貨公司信息公示管理規定》) (amended on and effective from August 12, 2022), futures companies shall disclose the basic information about the futures company and its branches, details of senior management and practitioners, the company's shareholder information, integrity records, and other information prescribed by the CSRC through the information disclosure platform designated by the CSRC for futures companies.

3. Information disclosure by mutual fund management companies

According to the Administrative Measures for Information Disclosure on Publicly Offered Securities Investment Funds (《公開募集證券投資基金信息披露管理辦法》) (amended on and effective from March 20, 2020), mutual fund management companies shall, within the time limit stipulated by the CSRC, disclose the fund information that should be disclosed through media such as national newspapers that meet the conditions stipulated by the CSRC, and the websites of the fund manager, the fund custodian, and the CSRC's fund electronic disclosure website. They shall also ensure that investors can access or copy the publicly disclosed information at the time and in the manner agreed upon in the fund contract.

Anti-Money Laundering and Counter-Terrorist Financing

Companies shall comply with anti-money laundering regulations such as the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) (amended in 2024 and effective from January 1, 2025), Measures for Supervision and Administration of Anti-Money Laundering and Counter-Terrorist Financing in Financial Institutions (《金融機構反洗錢和反恐怖融資監督管理辦法》) (amended on September 30, 2025 and effective from December 1, 2025), and Measures for the Implementation of Anti-Money Laundering in the Securities and Futures Sector (《證券期貨業反洗錢工作實施辦法》) (amended on and effective from August 12, 2022).

According to the Measures for the Administration of Special Preventive Measures of Anti-Money Laundering (《反洗錢特別預防措施管理辦法》) (issued on January 13, 2026 and effective from February 16, 2026), financial institutions shall establish and improve internal control systems for special preventive measures of anti-money in order to prevent money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, and shall identify and evaluate relevant risks and adopt management measures corresponding to the risks. Financial institutions shall continuously monitor and promptly obtain the lists specified in the Measures. When establishing business relationships with customers, providing one-time financial services to customers, or when there is any change in the basic identity information of a customer during the term of a business relationship, financial institutions shall verify the customer against such lists.

The International Convention for the Suppression of the Financing of Terrorism (《制止向恐怖主義提供資助的國際公約》) calls for enhanced international cooperation among countries to develop and adopt effective measures in order to prevent the provision of funding for terrorism and suppress such an act through the prosecution and punishment of those who carry out terrorist activities. China approved the convention with reservations in 2006.

Anti-corruption

The Law Against Unfair Competition of the People's Republic of China (《中華人民共和國反不正當競爭法》) (amended in 2025 and effective from October 15, 2025) stipulates that business operators shall not bribe the employees of the transaction counterparty, units or individuals entrusted by the transaction counterparty to handle relevant affairs, or units or individuals that can influence the transaction by taking advantage of their authority or influence, through the provision of property or other means, in order to seek transaction opportunities or competitive advantages. The aforementioned units and individuals shall not accept bribes. If the act constitutes a crime, criminal liability shall be pursued in accordance with the law. The Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) (issued on and effective from November 15, 1996) by the former State Administration for Industry and Commerce defined the composition and legal liability of commercial bribery.

The United Nations Convention against Corruption (《聯合國反腐敗公約》) aims to promote and strengthen measures to prevent and combat corruption more efficiently and effectively; promote, facilitate, and support international cooperation and technical assistance in preventing and combating corruption, including in asset recovery; and promote integrity, accountability, and the proper management of public affairs and public property. China approved the convention with reservations in 2005.

Regulations in Relation to Information Security and Personal Information Protection

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) (amended on October 28, 2025 and effective from January 1, 2026), network operators shall not collect personal information unrelated to the services they provide, and shall not collect or use personal information in violation of legal provisions or agreements between both parties. They shall process the personal information they store in accordance with laws, administrative regulations, and agreements with users. If individuals discover that the personal information collected and stored by network operators is incorrect, they have the right to request the network operators to make corrections. Network operators shall take measures to delete or correct such information. No individual or organization may steal or otherwise illegally obtain personal information, or illegally sell or illegally provide personal information to others.

According to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (effective from September 1, 2021), whoever processes data shall observe laws and regulations, respect social morality and ethics, observe business and professional ethics, uphold honesty and trustworthiness, fulfill data security protection obligations, and undertake social responsibilities; and shall not endanger national security and public interests, nor harm the lawful rights and interests of individuals and organizations. An organization or individual shall collect data by lawful and proper means, and shall not acquire data by theft or in other illegal manners.

The Administration Regulation on Cyber Data Security (《網絡數據安全管理條例》) (effective from January 1, 2025) stipulates the rules and measures for data processing activities conducted via networks and for personal information protection. According to these Regulations, network data processors shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, and on the basis of classified protection of network security, strengthen the protection of network data security, establish and perfect the system of network data security management, and take technical measures such as encryption, backup, access control and security authentication as well as other necessary measures to protect network data from being falsified, destroyed, divulged or illegally acquired or used, dispose of network data security incidents, prevent illegal and criminal activities aiming at and using network data, and assume primary responsibility for the security of the network data processed by them. Network data processors shall establish and improve the contingency plan for network data security incidents, and when a network data security incident occurs, they shall immediately activate their contingency plan, take measures to prevent the expansion of the harm, eliminate hidden security risks, and report the same to the appropriate competent authorities in accordance with the applicable provisions. If any network data security incident damages the lawful rights and interests of any individual or organization, network data processors shall promptly notify interested parties of the security incident and risks, harmful consequences, and remedial measures taken, among others, by such means as telephone calls, text messages, instant messaging tools, e-mail, or public announcements. If any law or administrative regulation prescribes that the notice is not required, such provisions shall prevail. Where network data processing activities carried out by network data processors affect or may affect national security, a national security review shall be conducted in accordance with the relevant national provisions.

According to the Administration Regulation on Cyber Data Security, network data processors handling the personal information of more than 10 million individuals shall also specify the person in charge of network data security and the management body for network data security.

Pursuant to the Cybersecurity Review Measures (《網絡安全審查辦法》) (effective from February 15, 2022), critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. Network platform operators with personal data of more than one million users must file applications to the Cybersecurity Review Office for cybersecurity review before **[REDACTED]** overseas. If the member units under the cybersecurity review working mechanism opine that any network products and services and data processing activities affect or potentially affect national security, the Cybersecurity Review Office has the duty to conduct a review in accordance with relevant requirements after reporting to the Central Cyberspace Affairs Commission for approval in compliance with the procedure. The measures in Article 10 stipulate that cybersecurity reviews focus on assessing the following national security risks factors associated with relevant objects or circumstances:

(i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services;

(ii) the harm caused by the disruption of the supply of the product and service to the business continuity of critical information infrastructure;

(iii) the security, openness, transparency and diversity of sources of the product and service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors;

(iv) compliance with PRC Laws, administrative regulations and departmental rules by the provider of the product and service;

(v) the risk of core data, important data or a large amount of personal information being stolen, leaked, damaged and illegally used, illegally transmitted overseas;

(vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, and maliciously used by foreign governments for a **[REDACTED]**, as well as network information security risks;

(vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security.

Pursuant to Article 2 of the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (effective from September 1, 2021), the critical information infrastructure as defined in these regulations refers to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the people's livelihood and public interests. Pursuant to Article 8, the competent authorities and the supervision and administration departments of the important industries and sectors involved in Article 2 of these Regulations shall be responsible for the security protection of critical information infrastructures (hereinafter referred to as the "Protection Departments"). Article 10 stipulates that the Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council.

Regarding the assessment of the applicability, impact, and compliance feasibility of the "Administration Regulation on Cyber Data Security" and the "Cybersecurity Review Measures" to the Company, the data compliance lawyer hired by the Company, Grandway Law Offices, has issued a "Data Compliance Legal Opinion". For the "Administration Regulation on Cyber Data Security", the data compliance lawyer stated, "based on the Company's responses to the due diligence checklist and the interviews with the Company's Information Technology Department, the Company is not a significant data processor and processes personal information of fewer than 10 million individuals. Therefore, the Company is not subject to the relevant regulations on network data security officers." Regarding the "Cybersecurity Review Measures", the data compliance lawyers opined that "given that (i) our lawyers conducted a telephone consultation with the cybersecurity review work supervisor of the China Cybersecurity Review Technology and Certification Center on June 3, 2025, and were given to understand that **[REDACTED]** on the Hong Kong does not fall within the meaning of "overseas **[REDACTED]**" as stipulated in the Cybersecurity Review Measures, the issuer's current **[REDACTED]** will not trigger mandatory application for cybersecurity review under the Cybersecurity Review Measures; (ii) as of the date of the legal opinion, the issuer has not been notified of it being recognised as a critical information infrastructure operator or any network facilities and information systems being recognised as critical information infrastructure; (iii) as of the date of the legal opinion, the issuer has not been notified by regulatory authorities requiring it to fulfill cybersecurity review obligations; (iv) as of the date of the legal opinion, the issuer has not received any investigation, notice, warning or sanction issued by the competent governmental authorities in relation to national security, or been involved in any investigation by the CAC in relation to any network security review on the basis of national security or any other grounds, and has not yet received any enquiry, notice, warning or sanction in this regard. The lawyers are of the view that, as of the date of the legal opinion, the issuer's current **[REDACTED]** is not subject to the relevant provisions of the "Cybersecurity Review Measures", and does not require proactive filing for cybersecurity review. Moreover, the issuer does not fall into the circumstances if the member units under the cybersecurity review working mechanism opine that any network products and services and data processing activities affect or potentially affect national security, the Cybersecurity Review Office proactively initiates a cybersecurity review in accordance with relevant requirements after reporting to the Central Cyberspace Affairs Commission for approval in compliance with the procedure."

Pursuant to the Measures for Reporting, Investigation and Handling of Cybersecurity Incidents in the Securities and Futures Industry (《證券期貨業網絡安全事件報告與調查處理辦法》) (issued on and effective from June 4, 2021, the Measures for Reporting, Investigation and Handling of Information Security Incidents in the Securities and Futures Industry (《證券期貨業信息安全事件報告與調查處理辦法》) was abolished simultaneously). After the occurrence of the cybersecurity incident, securities companies, futures companies, fund management companies, their subsidiaries providing securities and futures related services, securities and futures service institutions and other securities and futures business institutions shall report cybersecurity incidents in accordance with these Measures. Cybersecurity incidents are classified into extremely serious incidents, very serious incidents, serious incidents and ordinary incidents based on comprehensive consideration of the following factors: the category of network and information systems; the severity of service disruption; the duration of the incident; the extent of data damage; the amount of settlement errors; direct financial losses as well as the degree of harm caused to national financial security, social order, and the legitimate rights and interests of investors. Securities and futures institutions shall establish a cybersecurity risk monitoring and early warning system, promptly verify identified risk hazards and implement necessary prevention and control measures. In the event of a major incident, an early warning report shall be issued promptly. Securities and futures institutions shall establish cybersecurity emergency response mechanisms to promptly address cybersecurity incidents, restore normal system operations as quickly as possible, preserve incident sites and relevant evidence, and submit emergency reports in accordance with corresponding requirements. The Measures also stipulate the investigation and handling procedures for cybersecurity incidents by the CSRC and its local offices.

According to the Administrative Measures for Information Technology in Institutions Engaged in Securities and Funds Operations (《證券基金經營機構信息技術管理辦法》) (amended on and effective from January 15, 2021), institutions engaged in securities and futures operations shall meet the relevant requirements in relation to information technology governance, information technology compliance and risk management internally. In terms of information system security, institutions engaged in securities and funds operations shall properly maintain documents generated from the development, testing, launch, modification, and operation and maintenance of information systems, and establish a log recording mechanism adapted to monitoring work based on business operations and the importance of information systems to satisfy the demands of emergency response and auditing. In terms of data governance, institutions engaged in securities and funds operations shall improve security measures such as network isolation, user identification, access control, data encryption, data backup, data destruction, log recording, virus prevention, and illegal intrusion detection to protect the security of operating data and customer information, and prevent information leakage and damage. In terms of emergency management, if institutions engaged in securities and funds operations utilize information technology in their securities and fund business activities, they shall establish an organizational structure for information technology emergency management, identify important businesses and their recovery objectives, formulate emergency plans, allocate sufficient resources, properly handle information technology emergencies, and actively carry out emergency drills and assessments and improvements to information technology emergency management. Institutions engaged in securities and funds operations shall fulfill their responsibilities for reporting and investigating information security incidents in accordance with the relevant provisions of the CSRC.

According to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (effective from November 1, 2021), processing of personal information shall be for a definite and reasonable purpose, shall be directly related to the purpose of processing, and shall be processed in a manner that has the least impact on individual rights and interests. Collection of personal information shall be limited to the minimum scope for the purpose of processing and excessive collection of personal information shall not be allowed. Personal information processors shall be responsible for their processing of personal information and take necessary measures to ensure the security of the personal information they process. No organization or individual may illegally collect, use, process, or transmit other people's personal information, or illegally trade, provide, or disclose other people's personal information, or engage in the processing of personal information that endangers the national security or public interests. Prior to processing personal information, a personal information processor shall truthfully, accurately, and completely inform the individual of the following matters in an eye-catching manner and with clear and understandable language: the name and contact information of the personal information processor; the purpose and method of processing personal information, and the type and retention period of the processed personal information; the method and procedure for the individual to exercise the rights provided herein; and other matters to be notified in accordance with the provisions of laws and administrative regulations. A personal information processor shall, according to the purpose and method of processing personal information, type of personal information, impact on individual's right and interest, and possible security risk, etc., take measures prescribed by laws and administrative regulations to ensure the compliance of personal information processing activities with provisions of laws and administrative regulations, and prevent unauthorized visit, or leakage, falsification, and loss of personal information.

In terms of the overall impact of data compliance on this **[REDACTED]**, the data compliance lawyer believes that, "for the issuer's core business and core products operating in Chinese mainland covered in this comment letter, as of the date of this comment letter, the issuer complies, in all material respects, with the requirements of laws and regulations in Chinese mainland currently in force in relation to cybersecurity, data compliance, and personal information protection, and has taken necessary data and cybersecurity protection measures in accordance with the law. No administrative penalties were found due to any non-compliance with the laws, regulations, and regulatory requirements concerning cybersecurity, data security, and personal information protection. No significant compliance risks were found concerning personal information protection, data security, and cybersecurity compliance. Specifically, there are no material matters that would fail to maintain a sustainable business of the relevant principle business and are impossible to rectify due to violations of laws and regulatory requirements regarding personal information protection, data security, and cybersecurity. Meanwhile, there are no instances where the issuer's principle business relies on serious illegal activities such as illegal collection, use, provision to third parties, or illegal export of data. The issuer's actions regarding cybersecurity, data security, and personal information protection will not result in material legal impediment against this **[REDACTED]**."

According to the Measures for the Administration of Network and Information Security in the Securities and Futures Industry (《證券期貨業網絡和信息全管理辦法》) (effective from May 1, 2023), securities and futures operating institutions, such as securities companies, futures companies, and fund management companies (hereinafter referred to as "operating institutions") that build, operate, maintain, or use networks and information systems within China shall comply with the Measures. Operating institutions shall have a sound information technology governance framework, a robust network and information security management system, and establish internal decision-making, management, execution, and supervision mechanisms to ensure that their network and information security management capabilities align with the scale and complexity of their business activities. Operating institutions shall designate their primary responsible person as the first accountable individual for their network and information security work, while the leadership members or senior management members in charge of network and information security shall be the directly accountable individuals. The Measures also stipulate that operating institutions shall implement the classified protection system for cybersecurity, establish and improve the monitoring and early warning mechanism for network and information security, comprehensively and accurately record and properly preserve business logs and system logs generated during production and operations, and build a network and information security protection system, among other related requirements.

Regulations in Relation to Leasing

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (effective from January 1, 2021), an owner of an immovable or a movable property is entitled to possess, use, benefit from, and dispose of the property in accordance with law.

According to the Measures for the Administration of Commercial Housing Leasing (《商品房屋租賃管理辦法》) (effective from February 1, 2011), the lessor and the lessee shall, within 30 days after signing the property lease contract, complete the registration and filing procedures for the leased property with the municipal or county-level construction (real estate) authorities at the location of the leased property. In case of violation, the construction (real estate) authorities under the people's government of the municipality directly under the central government, city or county shall order corrective actions within a specified time limit. If an individual fails to make corrections within the time limit, a fine of up to RMB1,000 may be imposed; if an entity fails to make corrections within the time limit, a fine ranging from RMB1,000 to RMB10,000 may be imposed.

Regulations in Relation to Labor, Social Insurance and Housing Provident Fund

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) (amended on and effective from December 29, 2018), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (amended in 2012, effective from July 1, 2013), and the Implementing Regulations of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) (effective from September 18, 2008), the employing unit shall establish and improve rules and regulations in accordance with the law to ensure that laborers enjoy labor rights and fulfill labor obligations. The employing unit and the laborers shall conclude written labor contracts. Wages to be paid to laborers by the employing unit shall not be lower than the local standards of minimum wages. Violations of the aforementioned labor and social security laws and regulations may result in fines and other administrative liabilities, and in serious cases, criminal liability may be pursued.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (amended on and effective from December 29, 2018) and the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) (amended on and effective from March 24, 2019), Chinese enterprises shall pay basic old-age insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance for their employees based on the statutory contribution base and contribution rates. If an employing unit fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order it to make the payment or supplement the amount within a specified time limit. If the employing unit still fails to pay or supplement the premiums, the social insurance premium collection agency may inquire about its deposit accounts with banks and other financial institutions and may apply to the relevant administrative departments at or above the county level to decide on transferring the social insurance premiums, notifying the employing unit's bank or other financial institutions in writing to transfer the premiums. If the employing unit fails to pay the social insurance premiums in full and does not provide a guarantee, the social insurance premium collection agency may apply to the people's court to detain, seize, or auction the property equivalent in value to the social insurance premiums due, using the auction proceeds to offset the premiums. If the employing unit fails to pay the social insurance premiums within the time limit, the relevant administrative departments also have the right to impose fines.

According to the Interpretation (II) of the Supreme People's Court on 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)》) (came into force on September 1, 2025), if an employer and an employee agree or the employee undertakes that social insurance contributions need not be paid, the people's court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Paragraph 3 of Article 38 of the Labor Contract Law, the people's court shall support such claims in accordance with the law. Under the circumstances specified in the preceding paragraph, if the employer has paid the social insurance contributions retroactively in accordance with the law and then claims that the employee shall return the compensation for social insurance contributions already paid, the people's court shall support such claim in accordance with the law.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (amended on and effective from March 24, 2019), a unit shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and go through the formalities of opening housing provident fund accounts on behalf of its staff and workers. Where a unit fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff and workers, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine shall be imposed. A unit shall pay and deposit housing provident fund on schedule and in full. Where a unit is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.