This section sets forth a summary of the most significant PRC laws and regulations relevant to our business and operations in China.

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the National People's Congress, or the NPC, the country's highest legislative body, the State Council, the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Industry and Information Technology, or the MIIT, the State Administration for Market Regulation (formerly known as the State Administration for Industry and Commerce), or the SAMR, the Ministry of Commerce, the State Administration of Foreign Exchange, or SAFE, the National Development and Reform Commission, or the NDRC, the Standing Committee of the National People's Congress, or the SCNPC, the China Securities Regulatory Commission, or the CSRC, the Cyberspace Administration of China, or the CAC, and the Ministry of Public Security. This section summarizes the principal PRC regulations related to our business.

Regulations Relating to Corporation and Foreign Investment in China

The establishment, operation and management of companies in China are mainly governed by the Company Law of the PRC (中華人民共和國公司法), or the Company Law, as most recently amended in 2023, which applies to both PRC domestic companies and foreign-invested companies. The revised Company Law further stipulates the establishment and withdrawal of the company, the organizational structure and the capital system of the company, and strengthens the responsibilities of shareholders and management personnel and corporate social responsibility.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (中華人民共和國外商投資法), which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-foreign Cooperative Joint Venture Enterprise Law 中華人民共和國中外合作經營企業法) and the Wholly Foreign-invested Enterprise Law (中華人民共和國外資企業法), together with their implementation rules and ancillary regulations. The foreign-invested enterprises established prior to the effectiveness of the Foreign Investment Law may keep their corporate forms, among other things, within five years after January 1, 2020. The Foreign Investment Law has a catch-all provision under the definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors.

The Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the territory of the PRC pursuant to relevant PRC laws and regulations, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or foreign-invested enterprises shall report investment information in accordance with the requirements. Furthermore, the Foreign Investment Law provides that foreign-invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law, which means that foreign-invested enterprises may be required to adjust the structure and corporate governance in accordance with the current Company Law and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例), which became effective on January 1, 2020. These implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize the foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the Ministry of Commerce and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (外商投資信息報告辦法), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

On December 15, 2025, the Ministry of Commerce and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2025 Version) (鼓勵外商投資產業目錄(2025年版)), or the Encouraging Catalog, which became effective on February 1, 2026, to replace the previous encouraging catalog. On September 6, 2024, the Ministry of Commerce and the NDRC released the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Version) (外商投資准入特別管理措施(負面清單)(2024年版)), or the Negative List, which became effective on November 1, 2024, to replace the previous negative list. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged," "restricted" and "prohibited." Industries not listed in the Encouraging Catalog or the Negative List are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws. According to the Negative List, the provision of value-added telecommunications services falls in the restricted industries and the percentage of foreign ownership cannot exceed 50% (except for e-commerce, domestic multi-party communication, store-and-forward and call center).

Regulations Relating to Value-added Telecommunications Services

The Telecommunication Regulations of the PRC (中華人民共和國電信條例), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, and the relevant regulations, including the Classified Catalogue of Telecommunications Services (電信業務分類目錄) last amended on June 6, 2019, or the Telecom Catalog, by the MIIT, specify overall provisions on the conduct of engaging in telecommunications services in mainland China. Telecommunications services consist of basic telecommunications services or value-added telecommunications services. Pursuant to the Telecommunication Regulations, operators of value-added telecommunications services, shall be approved by MIIT, or its provincial level counterparts, and obtain a VATS License.

The Measures for the Administration of Telecommunications Business Licensing (電信業務經營許可管理辦法) (2017 Revision), which were promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017 and became effective on September 1, 2017, provide more detailed provisions regarding the types of licenses required for operating basic telecommunications services and value-added telecommunications services, and the qualifications and procedures for obtaining relevant licenses and the administration and supervision of relevant licenses. According to the above provisions, telecommunications services operators holding a VATS License shall submit data such as business operation and service quality to the license-issuing authorities in the first quarter of each year. The effective period of a VATS License is five years, and can be renewed within 90 days before expiry.

Pursuant to the Telecom Catalog, "value-added telecommunications services" were further classified into two sub-categories. Both online data processing and transaction processing services and information services fall within the second subcategory of value-added telecommunications businesses.

Pursuant to the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法), which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011 and December 6, 2024, "internet information services" refer to the service activities of providing information to online users through the internet, which can be divided into "profitable internet information service" and "non-profitable internet information service." Profitable internet information service providers shall obtain the VATS License from the telecommunications administration authorities.

The Provisions on the Administration of Foreign-funded Telecommunications Enterprises (外商投資電信企業管理規定), or the FITE Regulation, promulgated by the State Council on December 11, 2001 and subsequently amended on September 10, 2008, February 6, 2016 and March 29, 2022, and effective on May 1, 2022, stipulate specifically the capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-funded telecommunications enterprise. These provisions prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require foreign-funded telecommunications enterprises to obtain a basic telecommunications business license in the country or region where it is registered. However, specifically, the Negative List allows foreign investors to hold more than 50% equity interests in a value-added telecommunications service operator engaging in e-commerce, domestic multi-party communication, storage-and-forward and call center businesses.

On April 8, 2024, the MIIT promulgated the Announcement on Conducting the Pilot Program for Expanding the Opening-up of Value-added Telecom Services (關於開展增值電信業務擴大對外開放試點工作的通告) (the "Pilot Announcement"). According to this announcement, the pilot program shall be initially conducted in areas including the Beijing Comprehensive Demonstration Zone for Expanding the Opening-up of the Service Industry, Lingang New Area and Leading Area for Socialist Modernization Construction of the Shanghai Free Trade Zone, Hainan Free Trade Port, and Shenzhen Demonstration Zone of Socialism with Chinese Characteristics (collectively, the "Pilot Areas"), the restrictions on foreign ownership ratio shall be removed for certain value-added telecom services, including internet data centers (IDC), content delivery networks (CDN), internet service providers (ISP), online dataprocessing and transaction processing, as well as information distribution platforms and delivery services (excluding internet news information, online publishing, online audiovisual, and internet cultural operations) and information protection and processing services in information services. The announcement further specifies that the operating entities which intend to provide such services shall be incorporated in the Pilot Areas and the servicing facilities (including leasing, purchasing, and other facilities) must be placed in the same Pilot Areas, and such services could be provided nationwide except that the service scope of internet service providers (ISP) is limited to the Pilot Areas. The MIIT shall be responsible for organizing the valuation and validation of the pilot implementation plans and conditions in these four areas, and making decisions regarding their approval. On October 23, 2024, the MIIT announced that the pilot program for expanding the opening-up of value-added telecom services in Pilot Areas has officially been launched.

We formerly held a VATS License that only included the information services (i.e., the internet information services), then such license was replaced to cover both the online data processing and transaction processing services (i.e., the profitable e-commerce services) and the information services (i.e., the internet information services) during the Track Record Period. According to the FITE Regulation and the Negative List, there was no foreign investment restriction on our e-commerce services, and our internet information services were subject to the foreign investment restriction that the percentage of foreign ownership could not exceed 50%.

Subsequently, we underwent our Reorganization in preparation for the [**REDACTED**], and the WFOE became the sole shareholder of our holding entity of the VATS License. Pursuant to the FITE Regulation and the Pilot Announcement, we superseded such license by updating the abovementioned VATS License to just include the online data processing and transaction processing services (i.e., the profitable e-commerce services), and by obtaining a Pilot Operating Approval for Value-Added Telecommunications Services that includes the information services (i.e., the internet information services). According to the Pilot Announcement, the restrictions on foreign ownership ratio had been removed for our information services since we obtained the Pilot Operating Approval for Value-Added Telecommunications Services, and we could provide such services nationwide which was in line with our business operation needs. According to the Negative List and the Pilot Announcement, there had been no foreign investment restriction on our value-added telecommunications services as of the Latest Practicable Date.

Regulations Relating to Online Trading

The E-commerce Law of the PRC (中華人民共和國電子商務法), enacted by the SCNPC on August 31, 2018 and implemented from January 1, 2019, aims to regulate the e-commerce activities conducted within the territory of the PRC and proposes a series of requirements on e-commerce operators, including third-party e-commerce platform operators, registered product or service providers of platforms, and online business operators operating through a self-built website or any other network. Pursuant to this law, e-commerce platform operators shall require online business operators to submit their information including identity, address, contact information, administrative licenses, etc., conduct verification and registration, establish registration files, and regularly verify and update such information. Furthermore, if an e-commerce platform operator knows or ought to know that the goods sold or services provided by the business operators do not meet the requirements for safeguarding personal and property safety, or have other acts infringing upon the legitimate rights and interests of consumers, and fails to take necessary measures, it shall bear joint and several liability with such operator.

Pursuant to the Measures for the Supervision and Administration of Online Transactions (網絡交易監督管理辦法), which were promulgated by the SAMR on March 15, 2021, took effect on May 1, 2021 and amended on March 18, 2025, online transaction operators refer to natural persons, legal persons and non-incorporated organizations that organize and carry out online transaction activities, including online transaction platform operators, on-platform operators, self-built website operators, and online transaction operators that conduct online transaction activities through other online services. These measures also stipulate the obligations of online commodity dealers and relevant service providers and certain special requirements applicable to third-party platform operators.

Regulations Relating to Internet Advertising

PRC advertising laws and regulations, including the Advertisement Law of the PRC (中華人民共和國廣告法) (2021 Revision) which were promulgated by the SCNPC on April 29, 2021 and became effective on the same day, set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest.

On February 25, 2023, the SAMR promulgated the Measures on Internet Advertising (互聯網廣告管理辦法), or the Internet Advertising Measures, which became effective on May 1, 2023 and replaced the Interim Measures on Internet Advertising (互聯網廣告管理暫行辦法), to regulate any advertisement published on the internet, including but not limited to, through websites, webpage and apps, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. Internet advertisers are responsible for the authenticity of the content of advertisements and may publish advertisements by setting up a website or an internet medium owned by them, or by entrusting internet advertising operators or advertising publishers to publish advertisements. Internet platform operators must take measures in the process of providing internet information services to prevent and stop illegal advertisements. In addition, it is not allowed to cheat or mislead users to click on or browse advertisements in the following ways: (i) false system or software updates, error reporting, removal, notice and other prompts; (ii) false signs such as playing, starting, pausing, stopping, and returning; (iii) false reward promises; and (iv) other methods to cheat or mislead users. The market regulation administrative department is the relevant local administrative authority that supervises and enforces punishments for any illegal act in internet advertising. Any violation of the Internet Advertising Measures may result in fines, prohibition of publishing advertisements for a period of time or withdrawal of business licenses, and other penalties.

Regulations Relating to Cybersecurity, Data Security and Privacy Protection

Cybersecurity and Data Security

China has enacted various laws and regulations with respect to cybersecurity, data security, protection of personal information in ensuring law-based cyberspace governance. The Decision of the Standing Committee of the NPC in Relation to Protection of Internet Security (全國人民代表大會常務委員會關於維護互聯網安全的決定) first enacted on December 28, 2000, as amended on August 27, 2009, provides that whoever uses the Internet to commit acts such as intruding into critical information systems, spreading viruses, arbitrarily interrupting network services, disclosing state secrets, conducting false publicity, or infringing intellectual property rights shall be held criminally responsible in accordance with the law if such act constitutes a crime.

The Provisions on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定), which were promulgated on December 13, 2005 by the Ministry of Public Security and came into effect on March 1, 2006, require internet service providers and organizations that use internet services to implement technical measures for internet security protection. All internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, internet information service providers shall identify and terminate the transmission of illegal information in the public information services and keep relevant records.

According to the PRC National Security Law (中華人民共和國國家安全法) issued by the SCNPC on February 22, 1993 and latest revised on July 1, 2015, the state shall establish systems and mechanisms for national security review and supervision, conduct national security review on key technology, network information technology products and services related to state security to prevent and mitigate state security risks in an effective way.

On June 22, 2007, the Ministry of Public Security, National Administration of State Secrets Protection and other governmental authorities issued the Administrative Measures for the Graded Protection of Information Security (信息安全等級保護管理辦法), which regulates that the security protection of an information system may be graded into five. For an information system of Grade II or above newly built, its operator or user shall, within 30 days after it is put into operation, complete the record filing procedures at the local public security organ at the level of municipality divided into districts or above.

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (中華人民共和國網絡安全法), which came into effect on June 1, 2017 and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The PRC Cybersecurity Law (中華人民共和國網絡安全法) was revised by a decision of the SCNPC on October 28, 2025. The revised version took effect on January 1, 2026. This Law mandates that network operators fulfill certain obligations regarding cybersecurity protection and strengthen the management of network information.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (中華人民共和國數據安全法), which took effect on September 1, 2021. The Data Security Law provides for data security protection obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system, provides for a national security review procedure for those data activities which may affect national security, and imposes export restrictions on certain data and information.

On July 30, 2021, the State Council promulgated the Provisions on Protection of Critical Information Infrastructure Security (關鍵信息基礎設施安全保護條例), which took effect on September 1, 2021 and provide that "critical information infrastructures," or CIIs, refer to important network facilities and information systems involved in important industries and fields such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense related science and technology industry, as well as those which may seriously endanger national security, national economy and citizen's livelihood and public interests if damaged, malfunctioned, or if leakage of data thereto occurs.

On December 28, 2021, the CAC and 12 other PRC governmental authorities jointly published the Measures for Cybersecurity Review (網絡安全審查辦法), which became effective on February 15, 2022. Pursuant to the Measures for Cybersecurity Review, CIIOs that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. According to the Measures for Cybersecurity Review, before purchasing any network products or services, a CIIO shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one million users, and intend to be listed at a foreign stock exchange must apply for the cybersecurity review. Our PRC Legal Advisor made a telephonic consultation on a named basis with the CCRC which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotline on June 19, 2025. The CCRC confirmed that the term "listing in a foreign country" under the Measures for Cybersecurity Review does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed [**REDACTED**].

On September 30, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (網絡數據安全管理條例) (the "Data Security Regulations"), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the People's Republic of China and took effect on January 1, 2025. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to cyber security review in accordance with relevant laws and regulations.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Cross-border Transfer of Data (數據出境安全評估辦法), which became effective on September 1, 2022. These measures require the data processor providing data overseas to apply for the security assessment of cross-border transfer of data with the local provincial-level counterparts of the national cybersecurity authority under relevant statutory circumstances.

On December 8, 2022, the MIIT issued the Measures for the Administration of Data Security in the Field of Industry and Information Technology (for Trial Implementation) (工業和信息化領域數據安全管理辦法(試行)), which became effective on January 1, 2023. The measures provide for the grading system of data in the field of industry and information technology as general data, important data, or core data, and provide specific requirements for the management of data in different grades and corresponding data protection measures, during data lifecycle of data collection, storage, processing, transmission, disclosure, and destruction for data processors in the field of industry and information technology. In particular, data processors processing important data and core data are required to complete filing with relevant authorities for the catalog of important data and core data.

On March 22, 2024 the CAC enacted the Provisions on Promoting and Regulating Cross-border Data Flows (促進和規範數據跨境流動規定), which came into effect on the same day. The Provisions specify the circumstances under which entities are exempted from going through security assessment for cross-border data transfer, entering into a standard contract for outbound provision of personal information, and obtaining personal information protection certification, and stipulate the circumstances under which security assessment for cross-border data transfer shall be declared.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, the SAMR jointly promulgated Administrative Provisions on Recommendation Algorithms in Internet-based Information Services (互聯網信息服務算法推薦管理規定) which became effective and implemented on March 1, 2022, implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, stipulates that algorithm recommendation service providers shall inform users of their provision of algorithm recommendation services in a conspicuous manner and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner.

On November 25, 2022, the CAC promulgated the Administrative Provisions on Deep Synthesis in Internet-based Information Services (互聯網信息服務深度合成管理規定), which was released after being approved by the Ministry of Industry and Information Technology and the Ministry of Public Security, and came into force on January 10, 2023, pursuant to which, deep synthesis service providers shall fulfill their principal responsibilities for information security, establish and improve management systems for, among other things, user registration, algorithm mechanism review, scientific and technological ethics review, information release review, data security, personal information protection, combating telecom and online fraud, and emergency response, and have safe and controllable technical support measures.

On July 10, 2023, the CAC and several governmental authorities promulgated Interim Measures for the Management of Generative Artificial Intelligence Services (生成式人工智能服務管理暫行辦法) which became effective on August 15, 2023, impose compliance requirements for providers of generative AI services to the general public within the territory of PRC.

Privacy Protection

In recent years, PRC government authorities have enacted laws and regulations to protect personal information from any unauthorized disclosure.

Pursuant to the Decision on Strengthening the Protection of Online Information (關於加強網絡信息保護的決定), issued by the SCNPC on December 28, 2012 and effective as of the same date, and the Order for the Protection of Telecommunication and Internet User Personal Information (電信和互聯網用戶個人信息保護規定), issued by the MIIT on July 16, 2013 and effective as of September 1, 2013, and the Cybersecurity Law (網絡安全法 enacted by the SCNPC on November 7, 2016 and effective as of June 1, 2017), any collection and use of a user's personal information must be subject to the consent of the user, be legal, reasonable and necessary and be limited to specified purposes, methods and scopes.

On May 28, 2020, the NPC adopted the PRC Civil Code (中華人民共和國民法典), which came into effect on January 1, 2021. The Civil Code provides in a stand-alone chapter of right of personality and reiterates that the personal information of a natural person shall be protected by the law. Any organization or individual shall legitimately obtain such personal information of others in due course on a need-to-know basis and ensure the safety and privacy of such information, and refrain from excessively handling or using such information.

On August 20, 2021, the SCNPC issued the PRC Personal Information Protection Law (中華人民共和國個人信息保護法), which integrates the scattered rules with respect to personal information rights and privacy protection. The PRC Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information.

The Administrative Provisions on the Account Information of Internet Users (互聯網用戶賬號信息管理規定), which were promulgated by the CAC on June 27, 2022 and became effective on August 1, 2022, set out guidelines on the protection of the account information of internet users. Internet-based information service providers shall perform their responsibilities as the administrative subjects of the account information of internet users, have in place professionals and technical capacity appropriate to the scale of services, and establish, improve and strictly implement the authentication of real identity information, verification of account information, security of information content, ecological governance, emergency responses, protection of personal information and other management systems.

On February 22, 2023, the CAC promulgated Measures for the Standard Contract for Outbound Transfer of Personal Information (個人信息出境標準合同辦法), which came into effect on June 1, 2023. Pursuant to Measures for the Standard Contract for Outbound Transfer of Personal Information, personal information processor transferring personal information abroad shall conclude Standard Contract if satisfy all the following conditions: (1) the data processor who intends to transfer personal information abroad is not a critical information infrastructure operator; (2) the data processor processes personal information of less than one million individuals; (3) the data processor has cumulatively transferred abroad the personal information of less than 100,000 individuals since January 1 of the previous year; and (4) the data processor has cumulatively transferred abroad the sensitive personal information of less than 10,000 individuals since January 1 of the previous year.

On February 12, 2025, the Cyberspace Administration of China issued the Administrative Measures for the Compliance Audit of Personal Information Protection (個人信息保護合規審計管理辦法), which will take effect on May 1, 2025. According to the Administrative Measures for the Compliance Audit of Personal Information Protection, the term "compliance audit of personal information protection" refers to supervisory activities that review and evaluate whether the personal information processing activities of personal information processors comply with laws and administrative regulations.

Regulations Relating to Intellectual Property Rights

Copyright and Software Registration

PRC Copyright Law (中華人民共和國著作權法), promulgated in 1990 and last amended in 2020, and its related implementing regulations, promulgated in 2002 and amended in 2013, are the principal laws and regulations governing copyright related matters. The Copyright Law extends copyright protection to writings, oral works, photographic works, audio-visual works, and software products. Authors and other copyright owners may register their works with the registration organizations recognized by the competent national copyright authority. Under the Copyright Law, the term of protection for copyrighted software is fifty years. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet (互聯網著作權行政保護辦法) on April 29, 2005, which became effective on May 30, 2005.

December 20, 2001, the State Council promulgated the Computer Software Protection Regulations (計算機軟件保護條例), which came into effect on January 1, 2002 and were last amended on January 30, 2013. These regulations are formulated for protecting the rights and interests of computer software copyright owners, encouraging the development and application of computer software and promoting the development of software business. In order to further implement the Computer Software Protection Regulations, the National Copyright Administration issued the Computer Software Copyright Registration Procedures (計算機軟件著作權登記辦法) on February 20, 2002, as amended on June 18, 2004, which apply to software copyright registration, license contract registration and transfer contract registration.

Patents

The SCNPC adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984 and last amended it in 2020. A patentable invention, utility model or design must meet three conditions, namely novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, both starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, otherwise the use will constitute an infringement of the rights of the patent holder.

Trademark

Trademarks are protected by the PRC Trademark Law (中華人民共和國商標法), which was adopted in 1982, last revised in April 2019 and became effective in November 2019, as well as its implementation rules adopted in 2002 and revised in 2014. The Trademark Office of National Intellectual Property Administration under the SAMR handles trademark registrations and grants a protection term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. An application for registration of a malicious trademark not for use will be rejected and those who apply for trademark registration maliciously will be given administrative penalties of warnings or fines according to the circumstances; those who file trademark lawsuits maliciously will be punished by the people's court according to applicable laws.

Domain Name

The Administrative Measures on Internet Domain Names (互聯網域名管理辦法) were promulgated by the MIIT on August 24, 2017, and came into effect on November 1, 2017. According to these administrative measures, any party that has domain name root servers, and the institution for operating domain name root servers, the domain name registry and the domain name registrar within the territory of China, shall obtain a permit for this purpose from the MIIT or the communications administration of the local province, autonomous region or municipality directly under the Central Government. The registration of domain names is generally on a "first-apply-first-registration" basis and a domain name applicant will become the domain name holder upon the completion of the application procedure.

Regulations Relating to Employment, Social Insurance and Housing Provident Fund

Pursuant to the PRC Labor Law (中華人民共和國勞動法) effective from January 1, 1995 and last amended on December 29, 2018 and the PRC Labor Contract Law (中華人民共和國勞動合同法) effective from January 1, 2008 and amended on December 28, 2012, a written labor contract shall be executed by an employer and an employee when the employment relationship is established, and an employer is under an obligation to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Furthermore, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. All employers must compensate their employees equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with appropriate workplace safety training.

The Law on Social Insurance of the PRC (中華人民共和國社會保險法), which was promulgated on October 28, 2010 and amended on December 29, 2018, has established social insurance systems of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance. Pursuant to this law and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), employers in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An employer must provide social insurance by going through social insurance registration with local social insurance authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. If an employer fails to make full contribution to the social insurance premium on time, the social insurance contribution collection agency shall order such employer to make contribution or make up the outstanding amount within a prescribed period, and it may charge a late fee at the rate of 0.05% on a daily basis from the delayed payment date; if the employer fails to make payment within the prescribed period, the relevant administrative department may impose a fine of one to three times the overdue amount. On July 20, 2018, the General Office of the State Council issued the Plan for Reforming the State and Local Tax Collection and Administration Systems (國稅地稅徵管體制改革方案), which stipulated that the State Administration of Taxation will become solely responsible for collecting social insurance premiums.

According to the Administrative Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which were promulgated on April 3, 1999 and last amended on March 24, 2019, housing provident fund paid and deposited both by employee themselves and their unit employer shall be owned by the employees. An employer should undertake registration of payment and deposit of the housing provident fund in the housing provident fund management center and open a housing provident fund account on behalf of its employees in a commissioned bank. Employers should timely pay and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. If an employer fails to make full housing provident fund contribution on time, the housing provident fund management center shall order the employer to make contribution within a prescribed period; if the employer fails to make contribution within the prescribed period, an application may be submitted to the people's court for enforcement.

On July 31, 2025, the Supreme People's Court promulgated the New Judicial Interpretation, which took effect on September 1, 2025. Article 19(1) thereof stipulates that 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. Furthermore, 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 Article 38(3) of the PRC Labor Contract Law, the People's Court shall support such claims in accordance with the law, which clarifies that employees are entitled to request termination of their labor contracts and receive corresponding economic compensation under the PRC Labor Contract Law if the employer fails to make social insurance contributions in accordance with the law.

Regulations Relating to Leasing

According to the Law of the PRC on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), which was promulgated by the SCNPC on August 26, 2019 and came into effect on January 1, 2020, a written lease contract shall be concluded between the lessor and the lessee for leasing a building and shall agree on the terms and conditions such as the term, purpose and price of leasing and liability for maintenance and repair, etc. as well as other rights and obligations of both parties, and such contract shall be filed for registration and record with the real estate administration department.

According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), which were promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people's government of a municipality directly under the central government of the PRC, city or county where the house leased is located. If the relevant parties fail to make such registration, they may be ordered to make corrections within a specified time limit by the construction (real estate) administrative department of the people's government of a municipality directly under the central government of the PRC, city or county. If any entity fails to do so within the specified time limit, a fine not less than RMB1,000 and not more than RMB10,000 will be imposed.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the PRC Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例), or the Foreign Exchange Administration Regulations, which were promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Under the Foreign Exchange Administration Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China, unless prior approval of SAFE or its local counterparts has been obtained.

On March 30, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19, which became effective on June 1, 2015 and was amended on December 30, 2019. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily set at 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for issuance of RMB entrusted loans, repayment of inter-enterprise loans (including advances by the third party) or repayment of bank loans that have been transferred to a third party; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), or SAFE Circular 16, was promulgated by SAFE on June 9, 2016 and amended on December 4, 2023. Pursuant to SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides a unified standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-associated enterprises.

On October 23, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), or SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

Regulations Relating to Foreign Exchange Registration of Overseas Investment by PRC Residents

In October of 2005, SAFE promulgated a notification known as "Notification 75", in which SAFE requires PRC residents to register their direct establishment or indirect control of an offshore special purpose vehicle, or SPV, where such offshore entity is established for the purpose of overseas financing, provided that PRC residents contribute their legally owned assets or equity into such entity. In July of 2014, this Notification 75 was replaced by the Notification 37, namely the "Notification on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Returning Investment through Special Purpose Vehicles" (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which expanded SAFE oversight scope to include overseas investment registration as well. Meanwhile, Notification 37 also covers more areas such as PRC residents paying capital contribution with overseas assets or equity. Furthermore, Notification 37 requires amendment to the registration where any significant changes with respect to the special purpose vehicle capitalization or structure of the PRC resident itself (such as capital increase, capital reduction, share transfer or exchange, merger or spin off). On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or Notice 13, which became effective on June 1, 2015 and was amended on December 30, 2019. Under Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under Notification 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE. As of the date of this document, our shareholders who are PRC residents and indirectly hold shares in Xiaoe Inc. have completed their respective registration under the Notification 13 and Notification 37.

Regulations Relating to Stock Incentive Plans

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules on February 15, 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

Regulations Relating to M&A and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the SAMR, the CSRC, and SAFE jointly issued the Regulation on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定), or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules require in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise where any of the following situations exist: (i) the transaction involves an important industry in China, (ii) the transaction may affect national economic security, or (iii) the PRC domestic enterprise has a well-known trademark or historical Chinese trade name in China. The M&A Rules, among other things, also require that offshore SPVs that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interests held by such PRC companies or individuals, shall obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

The M&A Rules further require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council, are triggered.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法), or the Trial Measures and five supporting guidelines, effective on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek overseas listing and public offering, both directly and indirectly, should perform the filing procedures and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a PRC enterprise: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is contributed by PRC companies; and (ii) the majority of the issuer's business activities are conducted in mainland China, or its major places of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or residents of mainland China.

The Trial Measures also require subsequent reports to be submitted to the CSRC on material events, such as change of control or voluntary or forced delisting, of the issuers who have completed overseas offerings and listings. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing makes the issuer no longer within the scope of record filing, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three business days after such change to provide an explanation of the relevant situation.

According to the Trial Measures, the PRC enterprises engaging in overseas offering and listing activities shall strictly comply with the laws and regulations. It is prohibited to make any comments in a manner that misrepresents or disparages laws and policies, business environment and judicial situation of the nation in the documents produced or issued for the overseas listing. If a domestic company fails to complete the filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the persons directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

On February 24, 2023, the CSRC and other three authorities published the Provisions on Strengthening the Confidentiality and Archives Management Related to Overseas Issuance and Listing of Securities by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定), effective on March 31, 2023. Pursuant to these provisions, PRC domestic companies that seek to offer and list securities in overseas markets shall establish confidentiality and archives system. The PRC domestic companies shall obtain approval from the competent authority and file with the confidential administration department at the same level when providing or publicly disclosing documents and materials related to state secrets or secrets of the governmental authorities to the relevant securities companies, securities service agencies or the offshore regulatory authorities or providing or publicly disclosing such documents and materials through its offshore listing entity, and shall complete corresponding procedures when providing or publicly disclosing documents and materials which may adversely influence national security and the public interest to the relevant securities companies, securities service agencies or the offshore regulatory authorities or providing or publicly disclosing such documents and materials through its offshore listing entity. The PRC domestic companies shall provide written statements on the implementation on the aforementioned rules to the relevant securities companies and securities service agencies and the PRC domestic companies shall not provide accounting files to an overseas accounting firm unless such firm complies with the corresponding procedures.

Regulations Relating to Taxation

Enterprise Income Tax

On March 16, 2007, the NPC enacted the Enterprise Income Tax Law (中華人民共和國企業所得稅法), which was last amended on December 29, 2018. On December 6, 2007, the State Council promulgated the Implementing Rules of the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), which became effective on January 1, 2008 and was last amended on December 6, 2024. The Enterprise Income Tax Law and its implementing rules apply a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Enterprises qualifying as "High and New Technology Enterprises" are entitled to a preferential 15% enterprise income tax rate rather than the 25% statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its "High and New Technology Enterprise" status.

Under the Enterprise Income Tax Law and its implementing rules, an enterprise established outside China with its "de facto management body" located in China is considered a "resident enterprise", which means it can be treated as a domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10% and such income tax shall be subject to withholding at the source, where the payer shall act as the withholding agent. Dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

The Notice on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (國家稅務總局關於境外注冊中資控股企業依據實際管理機構標准認定為居民企業有關問題的通知), or the SAT Circular 82, provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. According to the SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Pursuant to the Arrangement between mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the withholding tax rate in respect to the payment of dividends by a mainland China enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the mainland China enterprise and certain other conditions are satisfied. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the mainland China resident enterprise; and (iii) it must have directly owned such required percentage in the mainland China resident enterprise throughout the 12 months prior to receiving the dividends.

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若幹問題的公告), or SAT Bulletin 7, which extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. Pursuant to SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in PRC resident enterprises without any justifiable business purposes and aiming to avoid the payment of enterprise income tax, such indirect transfer must be reclassified as a direct transfer of equity in PRC resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in SAT Bulletin 7 must be comprehensively analyzed in light of the actual circumstances. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity securities through a public securities market.

On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告), or SAT Bulletin 37, which was last amended on June 15, 2018, to further clarify the practice and procedure of the withholding of non-resident enterprise income tax.

Value-added Tax and Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to approval by the relevant tax authorities. Whereas, pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例) and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or the VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (營業稅改徵增值稅試點方案). In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax (關於全面推開營業稅改徵增值稅試點工作的通知), which became effective on May 1, 2016. Pursuant to the pilot plan and relevant notices, VAT is generally imposed in lieu of business tax in the modern service industries on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Certain small taxpayers under PRC law are subject to reduced value-added tax at a rate of 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Notice on Adjustment of VAT Rates (關於調整增值稅稅率的通知), which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11%, respectively, become subject to lower VAT rates of 16% and 10%, respectively, starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening Value-added Tax Reform (關於深化增值稅改革有關政策的公告) jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, which became effective on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10%, respectively, become subject to lower VAT rates of 13% and 9%, respectively, starting from April 1, 2019.

Regulations Relating to Anti-Monopoly, Anti-Corruption and Anti-Bribery

On August 30, 2007, the SCNPC promulgated the Anti-Monopoly Law (中華人民共和國反壟斷法), which was amended on June 24, 2022 and took effect on August 1, 2022, to stipulate the regulation of market monopoly. In February 2021, the Anti-Monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (國務院反壟斷委員會關於平台經濟領域的反壟斷指南), or the Anti-Monopoly Guidelines for Internet Platforms. The Anti-Monopoly Guidelines for Internet Platforms are consistent with the Anti-Monopoly Law and prohibits monopoly agreements, abuse of a dominant position and concentration of undertakings that may have the effect to eliminate or restrict competition in the field of platform economy. More specifically, the Anti-Monopoly Guidelines for Internet Platforms outline certain practices that may, if without justifiable reasons, constitute abuse of a dominant position, including without limitation, tailored pricing using big data and analytics, actions or arrangements deemed as exclusivity arrangements, using technological means to block competitors' interface, using bundle services to sell services or products, and compulsory collection of user data. In addition, the Anti-Monopoly Guidelines for Internet Platforms expressly provide that concentrations will also be subject to antitrust filing requirements. The Anti-Monopoly Law newly revised proposes to increase the fines on business operators liable for illegal concentration to "no more than ten percent of the preceding year's sales revenue of the business operators if the concentration of business operators has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operators does not have an effect of excluding or limiting competition." Furthermore, the relevant authority may require business operators to declare where there is evidence that the resulting concentration has or may have the effect of eliminating or restricting competition, even if the level of such concentration does not reach the filing threshold. If the business operators fail to make a declaration, the relevant authority shall conduct an investigation according to law.

Pursuant to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) promulgated by the SCNPC on September 2, 1993 and last amended on June 27, 2025, a business operator shall not resort to bribery to seek a transaction opportunity or competitive advantage by offering money or goods or by any other means, to (i) any employee of the counterparty in a transaction, (ii) any entity or individual entrusted by the counterparty in a transaction to handle relevant affairs, or (iii) any other entity or individual that takes advantage of powers or influence to influence a transaction. A business operator may expressly offer a discount to the counterparty or pay commissions to the intermediaries of a transaction in the course of transaction activities, which shall be properly recorded at both parties' accounting books. Any commercial bribery committed by an employee of a given business operator will be deemed as conduct of such business operator unless evidence shows that such act is not related to such business operator's efforts in seeking a transaction opportunity or competitive advantage.