

REGULATORY OVERVIEW

OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations of the PRC and Hong Kong which are relevant to the business and operations of our Group. The principal objective of this summary is to provide potential [REDACTED] with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential [REDACTED]. [REDACTED] should note that the following summary is based on laws and regulations in force as at the date of this document, which may be subject to change.

PRC LAWS AND REGULATIONS

Regulations Relating to Foreign Investment

The NPC promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019, which became effective on January 1, 2020, and sets out the definition of foreign investment and the framework for the promotion, protection and administration of foreign investment activities.

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. According to those measures, the relevant participants in the establishment of foreign invested enterprises, in the process of purchasing of the equities of a domestic enterprise by a foreign investor and in the process of the subscription of the increased registered capital of a domestic enterprise by a foreign investor are required to submit an initial report in a dedicated registration system. In addition, the relevant participant in the subsequent changes to important matters of the aforementioned enterprises, such as their shareholding structures, are required to submit a change report through the same registration system. Investment activities in the PRC by foreign investors are principally governed by the Special Administrative Measures (Negative List) for 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. The Negative List, which became effective on November 1, 2024, sets out special administrative measures in respect of the access of foreign investments in a centralized manner. Foreign investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment.

Regulations Relating to Value-Added Telecommunication Business

License for Value-added Telecommunications Services

According to the Administrative Measures on Telecommunications Business License (《電信業務經營許可管理辦法》) promulgated by the Ministry of Industry and Information Technology of the PRC (the “MIIT”) on March 1, 2009, last amended on July 3, 2017, and subsequently effective on September 1, 2017, the telecommunications business may be operated only after a business permit has been obtained from the telecommunications administrative department in accordance with the law. According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), which was enacted on September 25, 2000 and amended on February 6, 2016, telecommunications services are divided into basic telecommunications services and value-added telecommunications services. The telecommunications business operator shall indicate its business license number on a prominent place such as the main business premise, website homepage and business promotion materials. In addition, the holder of a value-added telecommunications services license is required to obtain approval from the original issuing authority in respect of any change of its operating entity, business scope or shareholders. In addition, according to the Classification Catalog of Telecommunications Services (2015 version) (《電信業務分類目錄(2015年版)》) (the “**2015 Telecom Catalog**”) which came into force on March 1, 2016 and amended on June 6, 2019 by MIIT, online data processing and transaction processing service and information service fall within the value-added telecommunications services.

REGULATORY OVERVIEW

Foreign Investment in Valued-Added Telecommunications Business

According to the Circular of the Ministry of Information Industry of the PRC on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) promulgated by Ministry of Information Industry of the PRC (which has now been merged into MIIT) and effective on July 13, 2006, foreign investors can only operate a telecommunications business in the PRC through establishing a foreign-invested telecommunications enterprise with a valid telecommunications business operation license; domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in the PRC.

According to the Administrative Regulations for Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "FITE Regulations"), promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, February 6, 2016 and March 29, 2022, foreign-invested value-added telecommunications enterprises in the PRC shall be established as sino-foreign equity joint ventures, and the ultimate foreign equity ownership in a foreign-invested value-added telecommunications enterprise shall not exceed 50%. In addition, foreign-invested value-added enterprises shall obtain approvals from the MIIT or its authorized local counterparts after its establishment.

According to the Notice of the MIIT concerning Lifting Restrictions on the Proportion of Foreign Equity in Online Data Processing and Transaction Processing Business (Operating E-commerce) (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) promulgated on June 19, 2015, foreign investors are allowed to hold up to 100% of all equity interest in the online data processing and transaction processing business (operating e-commerce) in the PRC. According to Notice of the MIIT on Implementing the Pilot Plan for Expanding the Opening-Up of Value-Added Telecommunications Business (《工業和信息化部關於開展增值電信業務擴大對外開放試點工作的通告》) promulgated on April 8, 2024, the restrictions on foreign equity ratios in, among others, online data processing and transaction processing, information distribution platform and delivery services (excluding operation of internet news information, network publishing, network audio and video, and internet culture), is removed in the regions approved to carry out the pilot plan.

As of the Latest Practicable Date, Fujian Midodo has obtained the value-added telecommunication business operation license, with the scope of online data processing and transaction processing business (operating e-commerce). Pursuant to the above regulations, such online data processing and transaction processing business (operating e-commerce) is not subject to the foreign equity ownership threshold.

Regulations Relating to Advertising Business

On October 27, 1994, the SCNPC promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》) or the Advertising Law, which was latest amended on April 29, 2021. The Advertising Law requires that advertisements shall be true and legitimate, advertisements with certain special contents shall be subject to the review of the relevant authorities prior to publication, and shall not (i) use or covertly use the national flag, national anthem, national emblem, military flag, military anthem, military emblem of the People's Republic of China; (ii) use or covertly use the name or image of state agencies, personnel of state agencies; (iii) use wordings such as "national level", "highest level" and "best"; (iv) harm the dignity or interests of the state and divulge state secrets; (v) hinder social stability and harm public interest; (vi) endanger personal and property safety, and infringe upon personal privacy; (vii) hinder public order or violate social morality; (viii) contain obscenity, pornography, gambling, superstition, terror, violence contents; (ix) contain ethnic, racial, religious, sexual discrimination contents; (x) hinder protection of environment, natural resources or cultural heritage; and (xi) fall under any other circumstances stipulated by laws and administrative regulations. Violation of the aforesaid requirements may lead to penalties, confiscation of advertising revenues, or being ordered to stop spreading the advertisement or to publish an advertisement for correcting any misleading information. If such case is serious, the administration for market regulation may order termination of advertising operation or revoke the business license.

REGULATORY OVERVIEW

On July 4, 2016, the State Administration for Industry and Commerce, or the SAIC, issued the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), or the Internet Advertising Interim Measures, to regulate internet advertising activities, which became effective on September 1, 2016, defining internet advertising as any commercial advertising that directly or indirectly promotes goods or services through websites, webpages, internet applications and other internet media in the forms of words, pictures, audio, video or others, including promotion through emails, texts, images, video with embedded links and paid-for search results. On May 1, 2023, Administrative Measures for Internet Advertising (《互聯網廣告管理辦法》), issued by the State Administration for Market Regulation, took effect and replaced the Internet Advertising Interim Measures, regulating commercial advertising activities for the direct or indirect promotion of commodities or services within the territory of the People's Republic of China by making use of websites, webpages, internet applications and other internet media in the forms of texts, pictures, audios, videos or other forms. The Internet Advertising Measures specifically set out the following requirements, including but not limited to: (i) internet advertisements shall be authentic and legal, adhere to the correct orientation, express the advertisement content in a healthy way and comply with the requirements of building a socialist society with an advanced culture and ideology as well as promoting good traditional Chinese culture; (ii) an Internet advertisement shall be identifiable so that it can be clearly identified by consumers as an advertisement. Any paid search advertisement for a product or service shall be prominently indicated as an "advertisement" by the advertising publisher to distinguish it from natural search results; (iii) where an Internet advertisement is published in the form of pop-up or otherwise, the advertiser and the advertisement publisher shall clearly mark a Close symbol to ensure that it can be closed by one click and shall not conduct in a way that will negatively affect the one-click-close function; (iv) cheating or misleading users into clicking on or browsing advertisements is prohibited; (v) the advertisers shall be responsible for the authenticity of the content of Internet advertisements; (vi) the advertising agencies and the advertisement publishers shall establish, improve and implement systems of registration, examination and archives management in respect of Internet advertising business; (vii) where an Internet advertisement is published by means of algorithmic recommendation or otherwise, the relevant rules of the algorithmic recommendation service and the record of advertisement placement shall be included in the advertisement archives.

Regulations Relating to Importation and Exportation of Goods

The PRC Foreign Trade Law (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 which came into effect on July 1, 1994 and most recently amended on March 1, 2026 and the PRC Regulations on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001, most recently amended on March 10, 2024, and came into effect on May 1, 2024, both stipulated that the import and export of goods and technologies to and from the PRC are free, unless otherwise in relevant laws or administrative regulations, and all entities engaging in the business of importation and exportation of goods shall comply with applicable laws and regulations. The PRC Customs Law (《中華人民共和國海關法》) promulgated on January 22, 1987, as most recently amended on April 29, 2021, stipulates that, among other things, the consignee or consignor of import or export goods or a customs agent shall file for record with relevant customs authority before going through any customs declaration procedures. Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021, and effective from January 1, 2022, further gives detailed requirement on the documents needed for the filing and the requirement on reporting certain changes of the filed information to the relevant customs authority.

REGULATORY OVERVIEW

Regulations Relating to Cybersecurity, Privacy and Data Security

The Provisions on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), as promulgated on December 13, 2005 by the Ministry of Public Security of the PRC, or the MPS, require internet service providers and entity users of the internet to implement technical measures for internet security, for example, measures against computer viruses, invasion, attack, or destruction of the cyberspace, and require all internet access service providers to take measures to keep a record of and preserve user registration information.

The Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the MPS, the National Administration of State Secrets Protection, the State Cipher Code Administration and the Information Office of the State Council (now abolished) on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of such information system to the legitimate rights and interests of citizens, legal entities and other organizations, public order of the society, other public interests and national security. It further requires the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days from the date when its security protection grade is determined or its information system starts operation.

On July 1, 2015, the SCNPC promulgated the PRC National Security Law (《中華人民共和國國家安全法》), which became effective on the same day. It provides that the state shall build an internet and information security protection system and improve internet and information security protection capability to realize the controllable security of internet information key technologies, critical online infrastructure and the information systems and data in important fields. In addition, a national security review and supervision system is required to be established to review, among other things, foreign investment, key technologies and services and product in relation to internet information technologies that affect or are likely to affect the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017 and lastly amended on October 28, 2025. It defines “networks” as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of information collecting, storing, transmitting, exchanging and processing in accordance with certain rules and procedures, and “network operators” as owners or administrators of networks or the providers of network services. Network operators are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system’s protection requirements, which include formulating internal security management systems and operation instructions, appointing responsible personnel for cybersecurity, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and events relating to cybersecurity, taking data security measures such as data classification, backups and encryption; (ii) formulating cybersecurity emergency response plans, timely handling of security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities in case of any incident endangering cybersecurity; and (iii) providing technical assistance and support for public security authorities and national security authorities for protection of national security and criminal investigations in accordance with applicable laws. Network operators who do not comply with the PRC Cybersecurity Law may be subject to corrective orders, warnings, fines, suspension of their businesses, shutdown of their websites, and/or revocation of their business licenses.

REGULATORY OVERVIEW

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 PRC Data Security Law stipulates the obligations in relation to data security and privacy for entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification system and a layered protection system based on the importance of data in the socio-economic development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken respectively for each category of data. Violation of the PRC Data Security Law may be subject to an order to cease illegal activities, warnings, fines, suspension of business, and revocation of business licenses and/or operating permits, and the persons in charge or other directly responsible persons may be imposed with fines.

The Administrative Provisions on Security Vulnerabilities of Network Products (《網絡產品安全漏洞管理規定》) were jointly promulgated by the MIIT, the Cyberspace Administration of China, or the CAC, and the MPS on July 12, 2021 and took effect on September 1, 2021, which stipulate that, providers of cyber products (including hardware and software), network operators, organizations or individuals engaged in activities relating to the discovering, collecting and releasing security vulnerabilities of cyber products are subject to these provisions, and shall establish channels to receive information of security vulnerabilities of their respective cyber products and keep logs for receiving such information for no less than six months. Network product providers are required to report relevant information of security vulnerabilities of network products with the Cyber Security Threat and Vulnerability Information Sharing Platform of MIIT within two days and to provide technical support for network product users. Network operators also shall make measures to examine and fix security vulnerabilities after discovering or knowing that their networks, information systems or equipment have security vulnerabilities. According to these provisions, violations thereunder may result in administrative penalties as stipulated in the PRC Cybersecurity Law.

On July 30, 2021, the State Council promulgated the Security Protection Regulations for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. According to these regulations, a “critical information infrastructure” refers to an important network facility and information system in important industries and fields such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the PRC Cybersecurity Law, and provide, among others, that the competent regulatory, supervision and administration authorities of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the operators of the identified information infrastructures and the public security department of the State Council of the identification results.

On December 28, 2021, the Cybersecurity Review Measures (《網絡安全審查辦法》) were promulgated by the CAC together with other 12 PRC governmental authorities, which took effect from February 15, 2022. Pursuant to these measures, the purchase of network products and services by a critical information infrastructure operator or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, network platform operators holding personal information of over one million users shall also apply for a cybersecurity review before listing abroad. The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security.

REGULATORY OVERVIEW

The PRC Civil Code also stipulates that the personal information of a natural person shall be protected and provides main legal basis for privacy and personal information infringement claims. On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) which became effective on November 1, 2021. The PRC Personal Information Protection Law stipulates the scope of personal information, sets out the rules for processing personal information and the rules for cross-border transfer of personal information, as well as clarifies the individual’s rights and the personal information processor’s obligations in the process of personal information processing. The Personal Information Protection Law requires, among others, that (i) informing the individuals of the rules and purposes of personal information processing, impacts of personal information processing and how the individual can exercise their rights, (ii) obtaining consents from individuals for personal information processing or having other applicable legal basis to process personal information, (iii) establishing internal policies and procedures in terms of personal information processing and taking appropriate technical measures, (iv) providing channels for individuals to exercise their personal information rights under the PIPL and respond to their requests; and (v) conduct personal information protection assessment under certain personal information processing activities.

On March 22, 2024, the CAC issued the Provisions on the Promotion and Regulation of Cross-border Data Flows (《促進和規範數據跨境流動規定》). According to these provisions, the transfer of data collected and generated during specific activities such as international trade, cross-border transport, transnational manufacturing, and marketing, which do not involve personal information or important data, is exempted from the requirements to undergo data export security assessment, the need to enter into standard contracts for the transfer of personal information abroad, or obtaining personal information protection certification. These provisions also stipulate that, if a data processor, who is not a critical information infrastructure operator, transfers personal information of less than 100,000 individuals cumulatively as of January 1 of the current year, it may be exempted from the requirement to undergo a data export security assessment, entering into a standard contract for transferring personal information abroad, or obtaining personal information protection certification.

On September 24, 2024, the State Council promulgated the Regulations on the Security Management of Network Data (《網絡數據安全管理條例》), or the Network Data Regulations, which will come into effect on January 1, 2025. The Network Data Regulations provide detailed implementing rules and guidance on various aspects of data compliance requirements under the existing data protection framework pillars of the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law. The Network Data Regulations supplement the requirements on several aspects of the PRC Personal Information Protection Law regarding notification, consent, and the exercise of personal rights, provide more detail on compliance requirements for processors of important data, and also provide more guidance to streamline cross-border data transfers.

Furthermore, on December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which became effective on January 1, 2023. The measures apply to data in the industry and information technology sectors, including industrial data, telecom data and radio data, or the Industry and IT Data. The Data Security Measures divide the Industry and IT Data into three categories based on the potential harm to national security, public interests and legal interests of individuals in the event of unauthorized alteration, destruction, leakage or illegal acquisition or use of such data: ordinary data, important data and core data. The processing of important data and core data is subject to certain filing and reporting obligations. The Industry and IT Data processors are also required by the Data Security Measures to establish a full life-circle data security management systems, designate data security management personnel, reasonably manage operation authorization and formulate responses plan and conduct emergency drills and relevant trainings.

REGULATORY OVERVIEW

Regulations relating to AI Large Models and Algorithms

On July 10, 2023, the Cyberspace Administration of China, together with other relevant authorities, released the Interim Measures on Administration of Generative AI Services (《生成式人工智能服務管理暫行辦法》), or the Generative AI Measures (《生成式人工智能辦法》), which came into effect on August 15, 2023 and imposed compliance requirements on providers of generative AI services. According to the Generative AI Measures, individuals or organizations that provide generative AI services of texts, images, audios, videos, and other content shall be responsible as the producers of such network information content to fulfill the obligations of network information security and as the personal information handlers to protect any personal information involved. Certain providers of generative AI services shall also conduct security assessments and complete regulatory filings. Non-compliance may subject generative AI services providers to penalties, including warning, public denouncement, rectification orders, and suspension of the provision of relevant services.

On December 31, 2021, the Cyberspace Administration of China, together with other relevant authorities, released the Recommended Algorithm Management Provisions for Internet Information Services (《互聯網信息服務算法推薦管理規定》), which came into effect on March 1, 2022. According to such provisions, the algorithm-based recommendation service providers are responsible for the security of their algorithms. They must have a management system that includes measures for auditing, ethical review, fraud prevention, security assessment and data security emergency response. They must also have dedicated personnel and technical measures. Service providers should regularly review and evaluate their algorithmic mechanisms, models, data and results, and notify users when an algorithm-based recommendation service is active and provide effective channels for user complaints and reports. The reasons why the laws and regulations relating to AI large models and algorithms are of significant importance to us are as follows:

As advised by our PRC Data Compliance Legal Advisor, the laws and regulations relating to AI large models and algorithms are of significant importance to us because they clarify the compliance requirements for us in various AI application scenarios, helping us clearly understand its legal obligations and responsibilities. At the same time, they also provide regulatory guidance for our future plans to directly provide AI tools and services to customers, including the relevant filing procedures (if any) during our business expansion.

Further, we currently do not use big data analysis tools, AI technology, or TikTok algorithms to directly provide services to the general public in China. As a result, and as advised by our PRC Data Compliance Legal Advisor, we are not currently subject to the PRC regulatory requirements for generative AI and large models (including computer security assessment and algorithm filing obligations). In particular:

Our current AI tools and AI technical service capabilities are used only within ourselves and not open to customers. Pursuant to Clause 3 of Article 2 of the Interim Measures on Administration of Generative AI Services (《生成式人工智能服務管理暫行辦法》), where industry organizations, enterprises, educational and scientific research institutions, public cultural institutions and the relevant professional institutions develop or apply generative AI technology but do not provide generative AI services to the public within the territory of the PRC, the provisions of the measures shall not apply. Thus, as advised by our PRC Data Compliance Legal Advisor, we are currently not subject to such filing procedure for its internal use of AI technical service capabilities and AI tools.

We currently do not apply algorithmic recommendation technology or deep synthesis technology to provide internet information services to users. The advertising performance data, such as advertising click-throughs, impressions, and advertising strategies, on which our AI-driven placement and advertising effectiveness monitoring functions are based, are provided by the APIs of overseas digital media platforms. As advised by our PRC Data Compliance Legal Advisor, according to the relevant provisions, such as the Recommended Algorithm Management Provisions for Internet Information Services (《互聯網信息服務算法推薦管理規定》), and the

REGULATORY OVERVIEW

Provisions for the Administration of Deep Synthesis in Connection with Internet Information Services (《互聯網信息服務深度合成管理規定》), no algorithm filing is required.

We will strive to strictly comply with the PRC regulatory requirements for generative AI and large models, including strict adherence to technical specifications and safety standards during the model development stage, completion of computer security assessments prior to official use, and fulfillment of algorithm filing obligations in accordance with regulations as we carry out our future development of large language models. We will continuously monitor regulatory developments to ensure that the research and development, testing, and subsequent services of the model comply with the requirements of laws and regulations such as the Interim Measures on Administration of Generative AI Services (《生成式人工智能服務管理暫行辦法》). We will consider providing relevant services to customers or the public only after completing all necessary filing and compliance procedures, so as to ensure the legality and compliance of our business operations.

Regulations Relating to Government Procurement and Bidding

Pursuant to the PRC Government Procurement Law (《中華人民共和國政府採購法》) promulgated by the SCNPC on June 29, 2002 and most recently amended on August 31, 2014, public invitation for bids shall be taken as the main method of government procurement. Government procurement refers to the procurement of goods, projects and services by state authorities, public institutions and social organizations using public fiscal funds within the centralized procurement catalogue or exceeding the relevant procurement thresholds, which shall be both stipulated in separately promulgated documents. The principles of transparency, fair competition, impartiality and good faith shall be abode in the process of government procurement. Furthermore, the parties concerned in government procurement shall not collude with each other to impair the rights and interests of the state, the public or any other parties concerned.

Pursuant to the PRC Tendering and Bidding Law (《中華人民共和國招標投標法》) promulgated by the SCNPC on August 30, 1999 and most recently amended on December 27, 2017, bidding process shall be carried out when, among others, the following construction projects are involved: (i) large scale infrastructure or public utility projects and other projects relevant to public interest or public security; (ii) projects entirely or partially using state-owned funds or state-facilitated loans; and (iii) projects using loans, or financial aids from international organizations or foreign governments. Furthermore, tenderers shall not collude with each other in setting bidding prices, nor shall they exclude other tenderers from fair competition and harm the lawful rights and interests of the tenderer and other tenderers. Tenderers shall not participate in the bidding competition by offering a price lower than the cost, nor shall they attempt to win the bid in the name of other persons or through other fraudulent means.

According to the Implementation Regulations for the Law of the PRC on Tenders and Bids (《中華人民共和國招標投標法實施條例》), which was promulgated on December 20, 2011, last amended on March 2, 2019 and became effective on the same day, where the tender invitation and bidding activities of a project required by law to call for tenders violate the provisions of the PRC Tendering and Bidding Law and such regulations, and have a substantive influence on the outcome of award of tender, if it is impossible to adopt remedial measures to rectify the tender invitations, the bidding and award of tender shall be void, and the tender exercise or bid evaluation shall be organized anew pursuant to the law.

Regulations Relating to Labor Contract, Social Insurance and Housing Provident Fund

Labor Contract

According to (i) the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, and most recently amended on December 29, 2018, (ii) the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, most recently amended on December 28, 2012 and became effective on July 1, 2013, and (iii) the Implementation Regulations for the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, the

REGULATORY OVERVIEW

employment relationship between employers and employees must be executed in written form, and a minimum wage guarantee system shall be implemented. The wages paid by the employers to the employees shall not be less than the minimum wage as determined by the local governments at the provincial level. In addition, employers must establish a sound labor safety and hygiene system, and the labor safety and hygiene facilities must meet the standards stipulated by relevant authorities.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1994 and most recently amended on March 24, 2019, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council and most recently amended on March 24, 2019, an enterprise established within the PRC shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and contribute to the housing provident fund for its employees at a rate stipulated by the relevant authorities.

Employers that fail to promptly pay social insurance premiums in full amount will be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day. If such payment is still not made within the stipulated period, a fine ranging from one to three times of the amount in arrears will be imposed. Employers that fail to contribute to the housing provident fund in due time or contribute under the minimum amount will be ordered by the relevant housing provident fund management center to make the contribution within a stipulated period. If such contribution is still not made within the stipulated period, the relevant housing provident fund management center can file application with a people's court for compulsory enforcement.

According to the Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) issued by the Supreme People's Court on July 31, 2025 and became effective on September 1, 2025, any agreement between an employer and an employee, or any commitment made by an employee, to waive the payment of social insurance premiums shall be deemed invalid by the People's court. If an employer fails to pay social insurance premiums in accordance with the law, an employee's request to terminate the labor contract in accordance with the Labor Contract Law and to claim economic compensation from the employer shall be supported by the People's Court in accordance with the law.

Regulations Relating to Intellectual Property

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020 which became effective on June 1, 2021 as well as the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, most recently amended on December 11, 2023 and became effective on January 20, 2024, invention creations that are eligible for the application of a patent shall include inventions, utility models and designs.

REGULATORY OVERVIEW

Inventions refer to new technical solutions for a product, method or the improvement thereof. Utility models refer to applicable and practical new technical solutions proposed for the shape or structure of a product or a combination thereof. Designs refer to new designs of the whole or partial shape or pattern of a product or a combination thereof, as well as a combination of color with shape or pattern, which has aesthetic value or is fit for industrial application. Inventions and utility model patents must meet three criteria: novelty, inventiveness and practicability. The validity period of patent for inventions is 20 years, the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, in each case starting from the date of application. The PRC patent system adopts a “first come, first file” principle, which means that where more than two persons file a patent application for the same invention, a patent will be granted to the person who applies first.

An invention creation that is accomplished by a person in the course of performing any task for an entity by which the inventor or designer is employed, or by using materials or technical means that are mainly from a certain entity shall be considered as a service-based invention creation. For a service-based invention creation, the right to apply for a patent belongs to the entity that employs the inventor or designer, or the entity that provided the majority of materials or technical means essential for the creation. Upon grant of the patent, such entity shall be the patentee. The patentee of a service patent shall reward the inventor or designer of the relevant service-based invention creation. After the implementation of the service patent, the inventor or designer shall be compensated reasonably according to the scope of market application of the patent as well as the economic benefits obtained from its implementation.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and most recently amended on April 23, 2019 which became effective on November 1, 2019, and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and most recently amended on April 29, 2014 which became effective on May 1, 2014, prescribe the process of registration, de-registration, renewal, alteration, transfer and invalidation of a trademark. According to the aforesaid legislations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continuous need for the use of trademark, a renewal process shall be initiated within 12 months before the expiry of the registration. If the renewal process is not initiated within the stipulated period, a grace period of six months may be given for the filing of the renewal process. Each renewal of the trademark registration shall be valid for ten years from the date of the expiry of the previous registration. A trademark registrant may license the right to use its trademarks to other parties by entering into a trademark license agreement, but the licensing is not effective against a bona fide third party unless and until a relevant party has filed the record of such license to the relevant authority.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, and most recently amended on November 11, 2020 which became effective on June 1, 2021, the works protected by copyright refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including: (i) written works; (ii) oral works; (iii) musical, dramatic, opera, dance, acrobatic artistic works; (iv) fine arts, architectural works; (v) photographic works; (vi) audio-visual works; (vii) graphic works and model works, such as engineering design plans, product design plans, maps, and schematic diagrams; (viii) computer software; and (ix) any other intellectual achievements which share the same characteristics of the aforesaid works. Copyright is a collection of personal and property rights, which, among others, includes the right of publication, the right of authorship, the right of modification, the right of distribution, the right of reproduction, and the right of internet information transmission.

REGULATORY OVERVIEW

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC on February 20, 2002 and became effective on the same date, and the Regulations on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, and most recently amended on January 30, 2013 which became effective on March 1, 2013, the National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration, and the Copyright Protection Centre of China is designated as the authority responsible for the whole registration process of computer software. The Copyright Protection Centre of China issues registration certificates to applicants for computer software copyrights that comply with the aforesaid measures and regulations.

Domain Name

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, prior to the establishment of domain name root servers, domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the PRC, the corresponding permits shall be obtained from the MIIT or its local counterparts.

Regulations Relating to PRC Tax

Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) or the EIT Law promulgated by the National People's Congress on March 16, 2007, and most recently amended on December 29, 2018 and effective from the same date and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》) or the EIT Implementation Regulations promulgated by the State Council on December 6, 2007, and most recently amended on December 6, 2024 and effective on January 20, 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

Income Tax Relating to Dividend Distribution

Pursuant to the Arrangement Between the Mainland of 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》) and relevant protocols, which were promulgated by the SAT on August 21, 2006, came into effect on December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in a PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on October 14, 2019, came into effect on January 1, 2020, nonresident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty

REGULATORY OVERVIEW

benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and subject to subsequent administration by tax authorities.

According to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) promulgated on September 10, 1980, last amended on August 31, 2018 and effective on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) or the Implementing Rules of the Individual Income Tax Law last amended on December 18, 2018 and effective on January 1, 2019, income from interest, dividends, bonuses, property leasing, property transfer and incidental income shall be subject to a proportional tax rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015 by the Ministry of Finance, the SAT and the CSRC, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax. If the individual holds the stocks for one month or less, the income from dividends is fully taxable. If the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable. The aforesaid income is subject to an individual income tax at a flat rate of 20%.

In accordance with the EIT Law and the EIT Implementation Regulations, the rate of enterprise income tax shall be 25%. A non-resident enterprise income tax should be levied at a reduced rate of 10% on income originating from within China if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or due for each payment.

Value-added Tax

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》), which was promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017 effective from the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax (VAT). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%. According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號)) promulgated by the MOF and the SAT promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT. According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37) (《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), announced by the MOF and the SAT on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% VAT rate will be cancelled. The scope of goods with 11% tax rate and the provisions for deducting input tax are specified. According to the Circular on Adjusting Value-added Tax Rates of Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關

REGULATORY OVERVIEW

於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the MOF and the SAT on April 4, 2018 and effective on May 1, 2018, from May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance of the PRC, the State Taxation Administration and the General Administration of Customs of the PRC [2019] No. 39) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)) announced by the Ministry of Finance, the SAT, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%; the originally applicable VAT rate of 10% shall be adjusted to 9%.

On December 25, 2024, the NPCSC promulgated the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), or the VAT Law, which will come into effect and repeal the Interim Regulations of the PRC on Value-added Tax on January 1, 2026. Under the VAT Law, the VAT rate, for selling goods, providing processing, repair and replacement services and tangible movables leasing services or importing goods will be 13%, for selling transport services, postal services, basic telecommunications, buildings, real property, or real property leasing services, transferring land use rights, or selling or importing certain goods specified in the VAT Law will be 9%, for selling services or intangible assets will be 6%, and for exporting goods will be 0%, and the levy rate of VAT to which the simple tax computation method applies is 3%.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the SAT issued the Circular on Strengthening Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”). By promulgating and implementing the SAT Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for the Indirect Transfer of Assets by Non-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干問題的公告》) (the “**SAT Circular 7**”) on February 3, 2015, which was later amended on October 17, 2017 and December 29, 2017 to supersede existing provisions in relation to the indirect transfer as set forth in the Circular 698. The SAT Circular 7 introduces a new tax regime that is significantly different from that under the SAT Circular 698. The SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the SAT Circular 698 but also transactions involving the transfer of immovable property in China and assets held under the establishment and place in China which are directly held by non-resident enterprises and for which the proceeds from transfer is subject to payment of enterprise income tax in China according to PRC tax laws. The SAT Circular 7 also provides clearer criteria than the SAT Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding at the Source of Income Tax of Non-resident Enterprises (《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》) (the “**SAT Circular 37**”), which came into force and replaced the SAT Circular 698 and other regulations on December 1, 2017 and was partly amended on June 15, 2018. The SAT Circular 37 further clarifies the practice and procedures of withholding and payment of income tax levied on non-resident enterprises.

REGULATORY OVERVIEW

Regulations Relating to Fire Prevention

The PRC Fire Prevention Law (《中華人民共和國消防法》) was promulgated by the SCNPC on April 29, 1998, and was most recently amended and became effective on April 29, 2021. According to the PRC Fire Prevention Law, enterprises are required to perform the following duties in relation to fire prevention: (i) implement fire safety accountability system, prepare fire safety system and fire safety operational procedures for their organization, and prepare fire extinguishment and emergency evacuation plans; (ii) prepare and install firefighting facilities and equipment pursuant to applicable laws and industry standards, install fire safety signs, and organize inspection and maintenance on a regular basis to ensure that the facilities and equipment are in good working conditions; (iii) conduct comprehensive inspection of firefighting facilities in the buildings they are in at least once a year to ensure that they are in good working conditions, the inspection records shall be complete and accurate and be well kept for reference and regulatory inspection; (iv) ensure that evacuation access, safety exits and fire engine access roads are unblocked, and ensure that the fire and smoke bay and firebreak distance comply with relevant technical standards; (v) organize fire prevention checks to promptly eliminate hidden fire hazards; (vi) organize and carry out targeted fire drills; and (vii) perform any other fire safety duties stipulated by applicable laws and regulations. Failure to perform those duties and other violations of the PRC Fire Prevention Law may result in a fine or an order of suspension of business.

Regulations Relating to Foreign Exchange

General Provisions on Foreign Exchange

The principal regulation governing foreign currency exchange in the PRC is the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008. According to these regulations, international payments in foreign currencies and transfers of foreign currencies under current account shall not be subject to any state control or restriction. Foreign currency transactions under capital account, such as transactions incurred under direct investment or capital contribution, will be subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities, i.e. the SAFE or its local counterparts.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) or the SAFE Circular 13, which took effect on June 1, 2015 and was most recently amended on December 30, 2019. In accordance with the SAFE Circular 13, commercial banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment directly, and the SAFE and its local counterparts will indirectly supervise over foreign exchange registration of direct investment via commercial banks.

On March 30, 2015, SAFE issued the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement 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 the SAFE Circular 19, which took effect on June 1, 2015. SAFE further issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) or the SAFE Circular 16, and the Notice on Annulling five Foreign Exchange Management Normative Documents and clauses of seven Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), which, among other things, amend certain provisions of SAFE Circular 19. According to SAFE Circular 19, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

REGULATORY OVERVIEW

According to the SAFE Circular 16, and the Notice of the SAFE on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) announced and effective on December 4, 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions’ foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise’s business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks’ principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The bank concerned shall conduct spot checking in accordance with the relevant requirements.

Foreign Exchange Registration of Offshore Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investment Conducted by Domestic Residents 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》) (the “SAFE Circular 37”). Pursuant to the SAFE Circular 37, (i) “a special purpose vehicle” is defined as offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institution and individual resident) with their legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity, for the purpose of offshore investment and financing, (ii) a domestic resident must register with the SAFE before he or she contributes assets or equity interests to a special purpose vehicle, (iii) following the initial registration, any major changes such as changes in the overseas special purpose vehicle’s domestic resident shareholders, names of the special purpose vehicle and terms of operation or any increase or reduction of the registered capital of the special purpose vehicle, share transfer or swap, merger or division, or similar development, shall be reported to the SAFE for registration in time, and failing to comply with the registration procedures as set out in SAFE Circular 37 may result in penalties. The SAFE Circular 13 allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing and the qualified

REGULATORY OVERVIEW

banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

Regulations Relating to M&A Rules and Overseas Securities Offering

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAMR, the China Securities Regulatory Commission (the “CSRC”) and SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) which was implemented on September 8, 2006 and amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe to the increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

In addition, pursuant to the Circular of the General Office of State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) issued by the General Office of the State Council on February 3, 2011 and took effect on March 3, 2011 and the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM on August 25, 2011 and implemented on September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), among which, it emphasizes the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

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》) were promulgated by the CSRC on February 17, 2023, and implemented on March 31, 2023. According to these trial measures, issuers seeking an overseas initial public offering or listing must file with the CSRC within three working days following the submission of their application documents for issuance and listing abroad. Issuers are also prohibited from overseas offering and listing if they fall under one of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with applicable laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market

REGULATORY OVERVIEW

economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (v) where there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Where a domestic company seeks to directly offer and list securities in non-domestic markets, the issuer shall file with the CSRC, submit a filing report, legal opinion, and other relevant materials and undertake that the submitted materials are all truthful, accurate and complete.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of the PRC, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archive Management of Overseas Securities Offering and Listing 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》) which came into force on March 31, 2023. These provisions require that, in relation to the direct and indirect overseas securities offering and listing activities of domestic companies, such domestic company, as well as securities companies and securities service institutions providing securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to fulfill their confidentiality and archives management duties. According to these provisions, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and/or overseas regulators any materials that may contain state secrets or have an adverse impact on the national security or public interests of the PRC, the domestic company should complete the relevant approval/filing and other regulatory procedures as required.

HONG KONG LAWS AND REGULATIONS

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person (a company or individual) carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be. Business registration does not serve to regulate business activities and it is not a licence to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong.

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.