
REGULATORY OVERVIEW

This section sets out a summary of the most significant rules and regulations affecting our business activities in China.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment Regulation

The establishment, operation and management of our PRC companies are governed by the Company Law of the PRC (the “**Company Law**”), which applies to all PRC companies including foreign-invested companies, except where foreign-investment related laws provide otherwise. According to the Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies.

The Foreign Investment Law of the PRC sets out the regulatory framework for foreign investments and pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the “foreign investors”) shall not invest in any sector prohibited as specified in the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of equality in treating domestic investments and foreign investments. It, together with its implementation rules, also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system where foreign investors or foreign-funded enterprises shall submit investment information to the competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Measures for Foreign Investment Information Reporting sets out the details of the foreign investment information report system. Since January 1, 2020, with respect to foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-funded enterprises shall submit investment information to the commerce authorities in accordance with these measures.

Foreign Investment Access Relating to Value-added Telecommunications Services

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (the “**Negative List**”), value-added telecommunications services which fall within China’s commitment to the WTO (excluding e-commerce, domestic multi-party communications, data collection and transmission services, and call centers) is a restricted industry for foreign investment, and the shareholding ratio of foreign investors shall not exceed 50%. The first category of value-added telecommunications services, including internet data center services and internet access services, are not included in the scope of value-added telecommunications services that China committed to open to foreign investment upon its accession to the WTO. Except as stipulated under the Mainland and Hong Kong Closer Economic Partnership Arrangement and Mainland and Macau Closer Economic Partnership

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Arrangement (collectively referred to as “CEPA”), which allow access to eligible investors from Hong Kong and Macau meeting CEPA requirements, these first category of value-added telecommunications services are not open to other overseas investors.

According to the Negative List, any domestic enterprise engaging in the fields prohibited by the Negative List may issue shares abroad and list and trade such shares overseas, if they have obtained the consent from the relevant competent authorities of the PRC, the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors’ shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors. According to the further clarification of the NDRC through the Answers to Reporters’ Questions on the Negative List (2021 version) by relevant officials of the NDRC disclosed on its official website, the current regulations require that the shareholding percentage of a single overseas investor and its affiliates shall not exceed 10% of the total number of shares of the company, and the shareholding percentage of all overseas investors and their affiliates in aggregate shall not exceed 30% of the total number of shares of the company. For companies engaged in industries prohibited by the Negative List for foreign investment and listed both domestically and overseas, the holdings of overseas investors in both domestic and overseas listed shares of the same company are combined for calculation.

Pursuant to the Guidelines No. 1 on the Application of Securities Trading Rules of the Shanghai Stock Exchange for Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors, when all qualified foreign investors and other foreign investors collectively hold 24% or more of the total A-share stocks of a single listed company, the Shanghai Stock Exchange will, before the market open of the next trading day, announce on its website the total number of the A-share stocks of the company held by the foreign investors and such number as a percentage of the total number of the company’s stocks. When, after the close of a trading day, the stocks of a listed company held by a single qualified foreign investor or other foreign investor exceeds the shareholding limit, the qualified foreign investor or other foreign investor shall, within 5 trading days, close out the positions in excess of the shareholding limit and, as required, timely perform its obligation to disclose information related thereto.

According to the Securities Law of the PRC and the Administrative Measures on Acquisition of Listed Companies, where the shares held by an investor (including an overseas investor) through securities transactions on a stock exchange or jointly with others through an agreement or other arrangements attain 5% of the issued voting rights shares (including A-shares and H-shares) of a listed company, the investor shall submit a written report to the CSRC and the stock exchange within three days, notify the listed company and make an announcement. Whenever the investor’s shares with voting rights in the said listed company are increased or reduced by 1%, the investor shall notify the listed company on the day following such occurrence, and make an announcement.

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According to the Measures for the Security Review of Foreign Investment, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. An overseas investor or a party concerned in mainland China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which stipulates that unless otherwise stipulated by the State, the maximum proportion of capital contributed by a foreign investor in a foreign-invested telecommunications enterprise which operates basic telecommunications services (other than radio paging services) shall not exceed 49%, and the maximum proportion of capital contributed by a foreign investor in a foreign-invested telecommunications enterprise which operates value-added telecommunications services (including radio paging services under basic telecommunications services) shall not exceed 50%.

The Ministry of Information Industry of the PRC (predecessor of the Ministry of Industry and Information Technology of the PRC) (the “**MIIT**”) issued the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services, which stipulates that a domestic telecommunications enterprise shall not, through any form, lease, transfer or sell a telecommunications businesses license to a foreign investor, or provide other conditions such as resources, offices and working places, facilities for any foreign investor to engage in any illegal telecommunications operation in any form within the PRC. Each value-added telecommunications enterprise shall have the facilities required for its approved business operations and maintain such facilities in the regions covered by its license and all value-added telecommunications services providers shall maintain network and information security in accordance with the standards specified by relevant PRC regulations. If a value-added telecommunications business license holder fails to comply with the requirements in the aforementioned Circular and to rectify up to the requirements within a prescribed period, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its value-added telecommunications business license.

REGULATIONS RELATING TO TELECOMMUNICATIONS SERVICES

Among all of the applicable laws and regulations, the Telecommunications Regulations of the PRC (the “**Telecommunications Regulations**”) is the primary governing law, which sets out the general framework of the regulations for the provision of telecommunications services by domestic companies in the PRC. Under the Telecommunications Regulations, a telecommunications service provider shall obtain an operation license prior to the commencement of operations. The Telecommunications Regulations distinguish basic telecommunications services from value-added telecommunications services.

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The Classification Catalogue of Telecommunications Services (the “**MIIT Catalogue**”) was issued as an attachment to the Telecommunications Regulations. The MIIT Catalogue divides telecommunications services into two major categories: basic telecommunication services and value-added telecommunication services. Each major category was divided into subcategories.

According to the Administrative Measures on Internet Information Services (the “**Internet Information Measures**”), internet information services refer to the service activities of providing information to internet users through the internet, and can be divided into two categories: operational and non-operational. Operational Internet Information services refer to the provision of information, web page production or other services to internet users through the internet for fees. Non-Operational Internet Information services refer to the provision of public and commonly shared information to web users through the internet free of charge. The State establishes a licensing system for Operational Internet information service. Operational Internet information service shall be provided with a licence for value-added telecommunication services obtained from telecommunications administrative authorities of the provinces, autonomous regions and cities under the direct control of the Central Government or the Ministry of Information Technology.

The Administrative Measures for Telecommunications Business Operating Licence sets forth more specific provisions regarding the types of licences required for operating value-added telecommunications services, the qualifications and procedures for obtaining the licences and the administration and supervision of these licences. According to the Measures, an operator of telecommunications services shall obtain a licence for value-added telecommunications services from the telecommunications administrative department in accordance with the law.

The Interim Measures for the Supervision and Administration of Telecom Service Quality apply to the supervision and administration of licensed telecommunications operators in the PRC, pursuant to which the MIIT supervises and administers the quality of the telecommunications services provided by telecommunications service providers in accordance with applicable laws and regulations. Where a telecommunication services provider violates the telecommunications service standards and infringes upon the lawful rights and interests of users, the provider may be subject to a rectification order within a prescribed period, a warning or fines ranging from RMB500 to RMB10,000.

REGULATIONS RELATING TO ALGORITHM GOVERNANCE

The Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (the “**Algorithm Recommendation Provisions**”) implement classification and hierarchical management for algorithm-based recommendation service providers based on various criteria. The Algorithm Recommendation Provisions also require the algorithmic

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recommendation service providers to establish and improve the management systems and technical measures for algorithm mechanisms and to provide users with options that will not target their personal profiles or convenient options to close algorithmic recommendation services.

According to the Provisional Administrative Measures for Generative Artificial Intelligence Services, a generative AI service provider shall assume the responsibility of the producer of network information content in accordance with the law and fulfill the obligations of network information security. If personal information is involved, the provider shall assume the responsibility of the personal information processor according to the law, and fulfill the obligation of personal information protection.

According to the Measures for Identifying AI-Generated Synthetic Content, providers of online information services shall, as required, add explicit identifiers to AI-generated synthetic content, embed implicit identifiers in the file metadata of such content, and standardize the dissemination activities of AI-generated synthetic content.

Pursuant to the provisions of the Provisional Measures for the Management of Generative Artificial Intelligence Services, the Measures for the Identification of Artificial Intelligence-Generated Synthetic Contents and other AI related Regulations (“**AI Regulations**”), the AI Regulations are applicable to service providers that use generative artificial intelligence technology to provide services generating content such as text, images, audio, and video to the public within the People’s Republic of China. As we provide text generation services to our corporate clients by accessing large models that have been filed by domestic third parties as well as our self-developed large models, we are deemed to be providing generative artificial intelligence services to the public within the PRC. Our PRC Legal Advisors are of the view that we should be subject to the AI Regulations.

We have already added labels to our generated content in accordance with the requirements of the Measures for the Identification of Artificial Intelligence-Generated Synthetic Contents. Our PRC Legal Advisors are of the view that the Measures for the Identification of Artificially Generated and Synthesized Content, will not have a material impact on us.

The AI Regulations set forth specific compliance requirements for aspects such as algorithm filing, security assessment, training data processing activities, data labeling, service transparency, labeling of generated content, and content compliance. During the Track Record Period and up to the Latest Practicable Date, we had completed the algorithm filing procedures for the generative and synthesis categories of our self-developed YonGPT large model in accordance with the AI Regulations and the requirements of the regulatory authorities, on February 18, 2024, and completed the security assessment for the relevant services as required. Furthermore, following verbal consultation and confirmation with the regulatory authorities, we are not required to undergo the large model filing procedures based on the nature of providing services to corporate clients. We have also adopted compliance measures in aspects such as training data processing activities, data labeling, service transparency, labeling of

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generated content, and content compliance that are in line with the aforementioned PRC regulations concerning generative artificial intelligence services. Our PRC Legal Advisors have conducted a review of our compliance with the AI Regulations, including the relevant requirements applicable to the development and operation of large models. Based on their review, they are of the view that, during the Track Record Period and up to the Latest Practicable Date, we have complied in all material respects with all applicable AI Regulations. Based on the due diligence conducted by the Joint Sponsors and the view of the Company’s PRC Legal Advisors above, nothing material has come to the Joint Sponsors’ attention that contradicts the above in relation to the Company’s compliance with all applicable AI Regulations during the Track Record Period and up to the Latest Practicable Date.

We have adopted following internal control measures relating to artificial intelligence:

- We use open-source datasets and internal knowledge bases for model training. To ensure the quality of our training data, we have acquired content compliance screening tools and have assigned dedicated personnel to screen the training data to enhance its authenticity, accuracy, objectivity, and diversity.
- We have formulated the Yonyou Group Artificial Intelligence Data Labeling Standards to conduct quality assessments of data labeling and verify the accuracy of the labeled content through sampling. We also provide necessary training to our labeling personnel and supervise and guide them to carry out the labeling work in a standardized manner.
- To prevent discrimination based on ethnicity, religion, etc., from arising in the processes of algorithm design and service provision, we have formulated the YonBIP Algorithm Security Management Standards. We conduct regular self-assessments of the algorithm systems, and we have also prescribed emergency plans for algorithm security incidents, defined types of algorithm violations and their corresponding severity levels, and penalize relevant individuals who have violated the rules as required.
- To ensure content security, our large models are connected to a dedicated content security platform to intercept illegal and non-compliant content entered by users.

REGULATIONS RELATING TO DATA, CYBER AND INFORMATION SECURITY

According to the Cybersecurity Law of the PRC, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard cybersecurity in conducting business and providing services. For the construction and operation of the network or the provision of services through the network, technical and other necessary measures shall be taken as required by law and the compulsory requirements of national standards to ensure the safe and stable operation of the network, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

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The PRC Data Security Law stipulates the measures to support and promote data security and development, to establish and optimize the national data security management system, and to clarify organizations’ and individuals’ responsibilities in data security.

Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators 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.

The Regulations on the Administration of Cyber Data Security further reiterates the data protection obligations of data processors and contains provisions regarding cybersecurity review, as well as the identification and declaration of important data.

The Personal Information Protection Law of the PRC stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for providing personal information to overseas recipients, and clarifies the individual’s rights and the processor’s obligations in the process of personal information processing.

The CAC promulgated the Security Assessment Measures for Data Provision Abroad, pursuant to which a data processor shall declare the security assessment of cross-border data transfer when the personal information or important data it collects and generates in the course of its business operation in China is provided to an overseas receiver under one of the following circumstances: (i) The data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of cross-border data transfer is required by the national cyberspace administration.

The MIIT promulgated the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation), which applies to the data processing activities in the field of industry and information technology carried out within the territory of China, and sets out a series of data security protection obligations for data processors in such field.

The CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flows, which specifies the circumstances where it is not required to apply for security assessment for data to be provided abroad, to conclude a standard contract for personal information to be provided abroad or to pass the certification for personal information protection.

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REGULATIONS RELATING TO QUALIFICATION FOR INTEGRATION OF CONFIDENTIAL INFORMATION SYSTEMS

According to the Measures for the Administration of Qualification for Integration of Confidential Information Systems, the Qualification for Integration of Confidential Information Systems (the “**Qualification**”) refers to the legal qualification granted by the administrative department for confidentiality to enterprises and public institutions to engage in the integration business of confidential information systems. Enterprises and public institutions engaged in the integration business of confidential information systems shall obtain the Qualification. The Qualification for classified integration is divided into Class A and Class B. Class A qualified units can engage in top-secret, confidential and secret classified integration business. Units with Class B qualifications can engage in classified and secret level classified integration business. Where an entity engages in classified integration business without the permission of the administrative department for confidentiality, the administrative department for confidentiality shall order it to stop the illegal act, and the state secret carriers illegally obtained or held shall be confiscated. If there are illegal gains, the market supervision and administration department shall confiscate the illegal gains. If a crime is constituted, criminal responsibility shall be pursued in accordance with the law. The applying entity shall establish a sound internal management and information disclosure system. Without the approval of the relevant competent department of the State Council or the relevant competent department of the provincial people’s government, foreign investors shall not come into contact with or know state secret information.

The applicant for confidential system integration qualifications shall have no direct foreign investment and the ultimate foreign ownership in the applicant shall not exceed 20%. Additionally, neither the applicant nor its shareholders’ actual controller may be foreign investors, and ultimate foreign ownership in the parent company of the applicant shall not exceed 20%.

REGULATIONS RELATING TO PRODUCT LIABILITY

The Product Quality Law of the PRC (the “Product Quality Law”) sets out the requirements to strengthen quality control of product and the measures that sellers shall adopt to maintain the quality of products for sale. Pursuant to the Product Quality Law, sellers shall establish and implement purchase inspection and acceptance system and verify the product qualification certificate and other marks. Sellers shall not mix impurities or imitations into products, or take counterfeit goods as genuine ones, defective products as good ones, or substandard products as standard ones.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the PRC, the department in charge of foreign trade under the State Council shall be responsible for all foreign trade work throughout country, and work with other relevant departments under the State Council to formulate, adjust and issue a catalogue of goods and technologies that are restricted or prohibited from import and export.

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According to the Notice on Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods and the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC, a consignee or consignor of imported or exported goods and customs declaration enterprises that apply for filing shall obtain market entity qualifications and are not required to complete the record-filing registration procedures for foreign trade operators.

REGULATIONS RELATING TO LAND, PLANNING AND CONSTRUCTION PERMITS

Land Use Rights

According to the Land Administration Law of the PRC, lands owned by the State might be transferred or allotted to construction entities or individuals in accordance with the law. According to the Interim Regulations on Real Estate Registration, the real estate registration shall be conducted by the real estate registration authorities of the people’s government at or above the county level.

The Interim Regulations on Real Estate Registration and the Implementing Rules of the Interim Regulations on Real Estate Registration provide that, among others, the state implements a uniform real estate registration system.

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the PRC (the “**Urban and Rural Planning Law**”), a Construction Land Planning Permit is required for the right to use the State-owned land acquired by transfer and allocation.

Construction Work Planning Permit

According to the Urban and Rural Planning Law, to build any building, structure, road, pipeline or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the people’s government at the municipal or county level or to the people’s government of town as recognized by the people’s government of a province, autonomous region or municipality directly under the Central Government.

Construction Work Commencement Permit

According to the Construction Law of the PRC, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit to a competent construction administrative department of the people’s government at or above the county level of the place where the project is located pursuant to relevant

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regulations, except for small projects below the limit determined by the construction administrative authorities of the State Council. Units in charge of construction should start to build the projects within three months since obtaining construction licenses.

According to the Regulations on the Administration of Construction Quality, a construction entity commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report, shall be ordered to terminate the construction work, carry out remedial actions within a prescribed time limit and pay a fine of no less than 1% but not exceeding 2% of the contractual project price.

Inspection and Acceptance on Completion of Construction Projects

According to the Regulations on the Administration of Construction Quality and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures, a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department of the people’s government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental prices, rental and repair liabilities, and other rights and obligations of both parties. In addition, pursuant to the Law on Administration of Urban Real Estate of the PRC and the Administrative Measures on Leasing of Commodity Housing, both lessor and lessee are required to register the lease within 30 days from execution of the property lease contract with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines ranging from RMB1,000 to RMB10,000.

According to the Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. If the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid. In addition, where the mortgaged property has been leased and the possession thereof has been transferred before the creation of the mortgage, the previously established leasehold interest will not be affected by the subsequent mortgage.

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REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC, as well as the Implementation Rules for the Patent Law of the PRC. According to the PRC Patent Law and its implementation rules, the duration of a patent right for inventions, utility models and designs shall be 20 years, 10 years and 15 years, respectively, all commencing from the application date, except where no annual fee for the patent has been paid as required, or the patent owner has given up its patent by a written declaration.

Copyright

The Copyright Law of the PRC specifies that works of Chinese citizens, legal persons or other organizations, namely ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form, whether published or not, shall enjoy the copyright. The copyright holder can enjoy multiple rights, including the right of publication, the right of authorship, and the right of reproduction. On May 30, 1991, the State Council further promulgated the Implementation Regulations of the Copyright Law of the PRC.

Trademark

According to the Trademark Law of the PRC as well as the Implementation Regulation of the PRC Trademark Law, registered trademarks are trademarks approved and registered by the Trademark Office of China National Intellectual Property Administration. A trademark registrant enjoys exclusive rights to use a registered trademark, which is protected by the law. Registered trademarks are valid for ten years commencing from the date of registration, unless otherwise revoked by the Trademark Office. When it is necessary to continue using the registered trademark upon expiration of period of validity, a trademark registrant shall make an application for renewal in accordance with the requirements. The period of validity for each renewal of registration shall be ten years commencing from the next day of the expiration of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered.

Domain Name

According to the Administrative Measures for Internet Domain Names, the principle of “first to file” is adopted for domain name registration services. The applicant for domain name registration shall provide the agency of domain name registration with true, accurate and complete information about the domain name holder’s identity for registration purpose and enter registration agreements with domain name registration service providers. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

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REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING FUND

Pursuant to the Labor Law of the PRC (the “**Labor Law**”), the Labor Contract Law of the PRC (the “**Labor Contract Law**”) and the Implementation Regulations of the Labor Contract Law of the PRC, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC and the Interim Regulations on Collection and Payment of Social Insurance Premiums, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases, if the employer and the employee agree or the employee undertakes that social insurance premiums need not be paid, the court shall deem such agreement or undertaking invalid. Furthermore, where the employer fails to pay social insurance premiums in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law, the court shall support such claims in accordance with the law.

According to the Administrative Regulations on Housing Provident Funds, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People’s Court. Each employee can only have one housing provident fund account. The contribution ratio of employee and employer’s housing provident fund shall not be less than 5% of the employee’s monthly average salary in the previous year. Cities with favorable conditions can appropriately the contribution ratio.

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REGULATIONS RELATING TO TAX

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) and the Regulations on the Implementation of EIT Law, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. High and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Value-added Tax (“VAT”)

According to the Provisional Regulations on Value-Added Tax of the PRC together with the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax, entities and individuals engaged in selling goods or labor services of processing, repair or maintenance, selling services, intangible assets or immovables within the PRC or importing goods to the PRC are subject to the payment of value-added tax.

According to the Value-Added Tax Law of the PRC, entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT in accordance with this Law.

REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

Pursuant to the Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, upon obtaining approval for overseas investment, an enterprise in mainland China shall apply for foreign exchange registration for its overseas direct investments. According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, the administrative approval for foreign exchange registration approval under overseas direct investment has been canceled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly.

Pursuant to the Measures for the Administration of Overseas Investment, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

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Pursuant to the Administrative Measures for Outbound Investment by Enterprises, the investing activities of enterprises in mainland China such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects that involve sensitive countries and regions or sensitive industries shall be subject to administration of verification and approval by the NDRC and non-sensitive outbound investment projects shall be subject to administration by record-filing. For non-sensitive projects of US\$300 million or above invested by local enterprise in mainland China or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC and non-sensitive outbound investment projects, of which the investment amount of investors in mainland China is less than US\$300 million (exclusive) shall file with the provincial counterpart of the NDRC.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Foreign Exchange Administration Regulations of the PRC, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Notice on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice on Further Promoting Cross-border Trade and Investment Facilitation together with the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business, 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

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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 concerned bank shall conduct spot checking in accordance with the relevant requirements.

Pursuant to the Notice on Issues Concerning the Administration of Foreign Exchange in Overseas Listing, a domestic company shall, within 15 working days from the date of the end of its overseas listing, register the overseas listing with the administration of foreign exchange at the place of its establishment. The proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the relevant content included in the document and other disclosure documents.

According to the Notice on Optimizing Foreign Exchange Management to Support the Development of Foreign Businesses, eligible enterprises are allowed to use revenue under capital accounts, such as capital funds, foreign debt offering proceeds, and remitted foreign listing proceeds for domestic payments without providing supporting materials to the bank in advance for authenticity verification; provided that the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations for use of revenue from capital accounts. Relevant banks should conduct spot checks in accordance with relevant provisions.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing dividends distributions by companies is the Company Law. PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO OVERSEAS LISTING

The Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies regulates overseas securities offering and listing activities by domestic companies in direct or indirect form, which provides that Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with the CSRC and report relevant information to the CSRC, and the filing shall be submitted within three working days after the application for an initial public offering is submitted.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the “**Archives Rules**”), in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services,

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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 implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.