Substantially all of our business is located in PRC. The following is a summary of the principal PRC laws, rules and regulations relevant to our business and operations in the PRC or the rights of our shareholders to receive dividends and other distributions from us.

REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

The *Telecommunications Regulations of the People's Republic of China* (《中華人民共和國電信條例》) (the "**Telecom Regulations**"), promulgated by State Council of the PRC on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, is the primary PRC law governing telecommunications services, and set out the regulatory framework for the telecommunication service providers in the PRC. The Telecom Regulations categorizes telecommunications services as either basic telecommunications services, which we generally do not provide, or value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for providing value-added telecommunications services. According to the *Catalog of Telecommunications Business* (《電信業務分類目錄》) (the "**Catalog**"), attached to the Telecom Regulations and amended in February 2003, December 2015, and June 2019, information services provided via public communication network or the Internet are value-added telecommunications services. We engage in business activities that are value-added telecommunications services as defined and described by the Telecom Regulations and the Catalog.

The *Administrative Measures for Internet Information Services* (《互聯網信息服務管理辦法》) (the "**Measures for Internet**"), was promulgated by State Council of the PRC on September 25, 2000 and later amended with immediate effect on January 8, 2011. Pursuant to the Measures for Internet, the Internet information services providers, also referred to as Internet content providers, or ICPs, that provide commercial services are required to obtain an operating permit (the "**ICP License**") from the MIIT or its provincial counterpart before engaging in any commercial Internet information service operations in the PRC. On March 1, 2009, the MIIT issued the Administrative Measures for Telecommunications Businesses *Operating Permits* (《電信業務經營許可管理辦法》) (the "**Telecom License Measures**"), which initially became effective on April 10, 2009, and was amended on July 3, 2017 and came into effect on September 1, 2017, to supplement the Telecom Regulations. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to provide value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Beijing Calorie Technology Co., Ltd. has obtained the ICP license which authorizes the provision of internet information services.

REGULATION RELATED TO FOREIGN INVESTMENT RESTRICTIONS IN VALUE-ADDED TELECOMMUNICATIONS SERVICES

Foreign direct investment in telecommunications companies in the PRC is regulated by the *Regulations for Administration of Foreign-invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which became effective on February 6, 2016. The FITE Regulations requires foreign-invested telecommunications enterprises in the PRC, or the FITE, to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the foreign investor of the FITE engaging in value-added telecommunications services must satisfy a number of stringent performance and operational experience requirements, including demonstrating a track record and

experience in operating a value-added telecommunications business overseas. The FITEs that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local branches, before launching the value-added telecommunications business in the PRC.

The State Council promulgated the *Decision of the State Council on Revising and Repealing Certain Administrative Regulations* (《國務院關於修改和廢止部分行政法規的決定》) on March 29, 2022, according to which the FITE Regulations was amended and has come into effect on May 1, 2022 (the "**New FITE Regulations**"). The New FITE Regulations only requires foreign investors shall not acquire more than 50% of the equity interest of such FITE, except as otherwise provided, and do not further require stringent performance and operational experience for foreign investor of such FITE engaging in value-added telecommunication services. The FITEs that meet these requirements must obtain approvals from the MIIT or its authorized local branches, before launching the value-added telecommunications business in the PRC.

The Negative List, was promulgated by the NDRC and the MOFCOM jointly on December 27, 2021 and came into effect on January 1, 2022. According to the Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

The Negative List further provides that the PRC domestic enterprise engaged in foreign investment prohibited business and intend to offer and list securities in overseas markets shall obtain approval from relevant government authorities, and any overseas investor in the enterprise shall not participate in the operation and management of the enterprise, and the equity ratio of overseas investor in the enterprise shall be governed mutatis mutandis by the relevant regulations of the domestic securities investments made by overseas investors, or the Requirement. At a press conference held on January 18, 2022, the NDRC clarified that the foregoing Requirement would only apply to PRC domestic enterprise's direct overseas offerings. Therefore, the PRC Legal Adviser is of the view that due to the Group's holding structure and Contractual Arrangements, the Listing constitutes PRC domestic company's indirect overseas **[REDACTED]** and thus would not be prohibited from future fund raisings based on such Requirement, and the Listing would not be subject to the Requirement.

On July 13, 2006, the predecessor to the MIIT issued the *Notice of the Ministry of Information Industry 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》) (the "**MIIT Notice**"), which reiterates certain provisions of the FITE Regulations. Under the MIIT Notice, a domestic company that holds an ICP License is considered to be a type of value-added telecommunications business in China, and is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of Internet content services must be owned by the ICP License holder or its shareholders. The MIIT Notice requires each ICP License holder to have appropriate facilities for its approved business operations and to maintain such facilities in the regions covered by its license. To comply with the above foreign investment restrictions, we operate our value-added telecommunications services in China through Beijing Calorie Technology Co., Ltd., our variable interest entity. However, due to lack of interpretative materials from the relevant PRC government authorities, there remain uncertainties with respect to whether PRC government authorities would consider our corporate structure and contractual arrangements to constitute foreign ownership of a value-added telecommunications business. See

"Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations".

REGULATIONS RELATED TO ONLINE CULTURAL ACTIVITIES

The *Interim Administrative Provisions on Internet Culture* (《互聯網文化管理暫行規定》) (the "**Internet Culture Provisions**"), promulgated by the Ministry of Culture (which is currently known as Ministry of Culture and Tourism), on May 10, 2003 and last amended with immediate effect on December 15, 2017, provides that Internet culture activities are classified into non-commercial Internet cultural activities and commercial Internet cultural activities. Under the Internet Culture Provisions, Internet culture activities include: (i) the production, reproduction, importation, distribution or streaming of Internet culture products (such as online program, online series, online performance, etc.); (ii) the dissemination of culture products via Internet; and (iii) the exhibitions, competitions and other similar activities concerning Internet culture products. To conduct commercial Internet culture activities, the Internet cultural business license is a prerequisite. If any entity engages in commercial Internet culture activities without approval, the cultural administration authorities or other relevant government may order such entity to cease operating Internet culture activities as well as impose other punishments including issuing administrative warning, levying fines up to RMB30,000 and listing such entity on the cultural market blacklist in the case of continued non-compliance. In addition, Internet cultural business (except for music) remains a prohibited area for foreign investment in the Negative List. Beijing Calorie Technology Co., Ltd. has obtained the Internet cultural business license.

REGULATIONS RELATED TO PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS

On July 19, 2004, the State Administration of Radio, Film and Television, or the SARFT (currently known as National Radio and Television Administration), promulgated the *Regulations on the Administration of Production of Radio and Television Programs* (《廣播電視節目製作經營管理規定》), as last amended on October 29, 2020, which stipulates that any entities that engage in the production of radio and television programs are required to apply for a Radio and Television Production Operation License from the SARFT or its local level counterparts. Entities with the Radio and Television Production Operation License shall conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the abovementioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind. Beijing Calorie Technology Co., Ltd. has obtained the Radio and Television Production Operation License for its business.

REGULATIONS RELATED TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

On April 13, 2005, the State Council promulgated *Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry* (《國務院關於非公有資本進入文化產業的若干決定》), according to which non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network.

According to the *Administrative Regulations on Internet Audio-Visual Program Service* (《互聯網視聽節目服務管理規定》) (the "**Audio-Visual Regulations**"), promulgated by the SARFT and the Ministry of Information Industry, or the MII (which is currently known as MIIT), on December 20, 2007 and last amended on August 28, 2015, Internet audio-visual program service refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via Internet, and providing audio-visual programs uploading and transmission services. An Internet audio-visual program service provider shall obtain an Audio-Visual Permit issued by the SARFT or complete certain registration procedures with the SARFT. On March 30, 2009, the SARFT promulgated the *Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs* (《關於加强互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the Internet audio-visual programs, including those on mobile network (if applicable), and prohibits Internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements.

Pursuant to the Audio-Visual Regulations, providers of Internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the *Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations* (《就<互聯網視聽節目服務管理規定>答記者問》) published on the SARFT's website on February 3, 2008, the SARFT and MII clarified that providers of Internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of Internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to Internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the *Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit* (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by SARFT on April 8, 2008 and amended on August 28, 2015.

According to the *Administrative Provisions on Online Audio-Visual Information Services* (《網絡音視頻信息服務管理規定》), promulgated jointly by the CAC, the MCT and the NRTA on November 18, 2019 and effective on January 1, 2020, online audio-visual information service providers shall authenticate user's real identity information based on organization code, identity card number, mobile phone number, etc. Online audio- visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, deploy and apply identification technologies for illegal and non-real audio and video; if any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall save relevant records, and report to the CAC, the MCT, the NRTA, etc. As of the date of this document, we have not obtained an Audio-Visual Permit. Uncertainties exist as to whether we will be required by relevant PRC government authorities to obtain the Audio-Visual Permit. For detailed analysis, see "Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations".

REGULATIONS RELATED TO ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued the *Administrative Regulations on Online Live Streaming Services* (《互聯網直播服務管理規定》) (the "**Online Live Streaming Regulations**"), which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, all online live streaming service providers shall take various measures during operation of live streaming services, including, but not limited to: (i) establish platforms for reviewing live streaming content, conducting classification and grading management according to the online live streaming content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms; (ii) conduct verification on online live streaming users with valid identification information (e.g., authentic mobile phone numbers) and validate the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses and organization code certificates); (iii) examine and verify the authenticity of the identification information of online live streaming service publishers, classify and file such identification information records with the Internet information offices at the provincial level where they are located and provide such information to relevant law enforcement departments upon legal request; (iv) enter into a service agreement with the users of online live streaming services of which the essential clauses shall be under guidance of Internet information offices at the provincial level, to clarify the rights and obligations of the parties and require them to comply with the laws, regulations and platform conventions; and (v) establish a credit-rating system and a blacklist system, to provide management and services according to such credit rating, prohibit re-registration of accounts by online live streaming service users on the black list and promptly report such users to relevant Internet information offices.

On September 2, 2016, the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (currently known as National Radio and Television Administration), issued the *Circular on Issues concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs* (《關於加强網絡視聽節目直播服務管理有關問題的通知》) (the "**Online Live Streaming Circular**"). According to the Online Live Streaming Circular, appropriate Audio-Visual Permit is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military, economic, social, and cultural events. Relevant information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the SAPPRFT. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have an emergency plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests and targets hired or invited by online audio-visual live streaming programs shall meet the following requirements: (i) patriotic and law-abiding; (ii) good public reputation and social image, no scandals and misdeeds; and (iii) dress, hairstyle, language and actions are consistent with public order and good morals, and not drawing topics with vulgar content or content inappropriate to discuss in public.

According to Circular 78 issued by the NRTA on November 12, 2020, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, (i) register their information and business operations by November 30, 2020 on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統), (ii) ensure real-name registration for all live streaming hosts and virtual gifting users, (iii) prohibit users

that are minors or without real-name registration from virtual gifting, and (iv) set a limit on the maximum amount of virtual gifting per time, per day, and per month. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number of its live streaming rooms, streamers and content analysts to the provincial branch of the NRTA on a quarterly basis. If celebrities or persons of non-PRC nationality intend to open live streaming rooms on a platform, it shall also report to competent authorities in advance. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform.

Opinions on Further Regulating the Profit-Making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》) issued on March 25, 2022 by SAMR, SAT and CAC, reiterates that live streaming platforms and live streaming service providers shall perform their personal income tax withholding obligations in accordance with laws and regulations and shall not transfer or evade their personal income tax withholding obligations, and shall not plan or help live streaming publishers with tax evasion. Such regulation also stipulates that online live-streaming platforms shall verify and register online live-streaming publishers based on their identification information and ensure the authenticity and credibility of the verified information.

In order to further strengthen the standardized management of the online live streaming industry, the CAC, the National Office of Anti-Pornography and Anti-Illegal, the MIIT, the Ministry of Public Security, or the MPS, the MCT, the SAMR and the NRTA jointly issued the *Circular on the Guiding Opinions on Strengthening Standardized Management of Online Live Streaming* (《關於加强網絡直播規範管理工作的指導意見》) (the "**Guiding Opinions on Online Live Streaming**") on February 9, 2021, which further stipulates several requirements on the online live streaming, including but not limited to: (i) online live streaming platforms which provide online audio-visual program services must obtain the Audio-Visual Permit (or complete the registration on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統)) and complete the ICP filing procedure, (ii) online live streaming platforms providing live streaming information services shall strictly abide by laws, regulations, and the relevant provisions; strictly perform their statutory duties and obligations, implement primary responsibilities of online live streaming platforms, and (iii) online hosts carrying out online live streaming activities shall not engage in activities prohibited by laws and regulations. As of the Latest Practicable Date, we have completed the registration on the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統). Based on the consultation on November 25, 2021 with Beijing Municipal Radio and Television Bureau, the local competent authority that is responsible for the supervision and management of online audio-visual program services in Beijing, enterprises that have registered in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息登記管理系統) are subject to the same supervision and management as an Audio-Visual License holder, and an applicant of Audio-Visual License shall be a wholly state-owned or state-controlled entity according to the current laws and regulations. Based on the above, we and our PRC Legal Adviser are of the view that the Group may not be eligible for applying the Audio-Visual License and the likelihood for the Group being subject to severe penalties due to the lack of the Audio-Visual License is relatively low as of the Latest Practicable Date. In addition, with respect to virtual gifting, Guiding Opinions on Online Live Streaming provides that online live streaming platforms shall (i) guide and regulate users' consumption and rational rewards in accordance with the laws and

regulations; (ii) keep records of live streaming images, interactive messages, recharge and virtual gifting in accordance with the laws and regulations; (iii) not provide recharge and virtual gifting services to minors; (iv) establish exclusive customer service teams for minors to give priority to the acceptance and timely handling of relevant complaints and disputes involving minors. If a minor fraudulently uses adult account and gives virtual gifts, the refund shall be made in accordance with the provisions after verification; (v) establish rules for the administration of live streaming virtual gifting services, specifying that the virtual gifting services provided by platforms to users are information and entertainment consumer services. A reasonable maximum amount of virtual gifting shall be set for the amount of single virtual consumer goods or a single virtual gifting and consumption reminders shall be given to users whose cumulative amount of virtual gifting in a single day triggers the corresponding threshold, and a virtual gifting cooling-off period and delayed pay-in period shall be set if necessary.

Furthermore, on June 1, 2021, the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》) took effect, which provides that, among others, live streaming service providers are not allowed to provide minors under age of 16 with an online live streaming host account registration service, and must obtain the consent from parents or other guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming host accounts. In addition, on March 14, 2022, the CAC once again released the Regulations on the Protection of Minors on the Internet (Draft for Comment) (《未成年人網絡保護條例（徵求意見稿）》), or the Protection of Minors on the Internet Regulations, which are open for public comments until April 13, 2022 and has not become effective as of the date of this document. The Protection of Minors on the Internet Regulations stipulates that (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as online games, live broadcasting, audio-video, and online social networking shall take measures to establish special management systems of user duration, access authority and consumption for minors, (iii) online live streaming service providers shall not provide minors under the age of 16 with the account registration service of online live streaming publishers; when providing account registration service of online live streaming publishers for minors reaching the age of 16, the service providers shall verify the identity information of the minors and obtain the consent of their parents or other guardians, (iv) when processing the personal information of minors online, information processors shall follow the principles of legitimacy, rightfulness and necessity, and (v) online services providers shall take measures to reasonably restrict minors of the amount of consumption each time and the accumulative amount of consumption per day in respect of online products and services, and shall not provide minors with any paid service which are inconsistent with their civil capacity.

We have implemented the following measures to ensure ongoing compliance with the Protection of Minors of the PRC: (i) minor protection mode will pop up on our apps which notifies minors could use it; (ii) our app's privacy policies include policies and provisions that specifically designed to protect the privacy of minor under 18 and children under 14, which is in compliance with the requirements of current laws and regulations regarding data and privacy protection of minors; (iii) our app enables users to turn on minor protection mode which restricts the contents to what are suitable for minors; and (iv) we currently only allow in-house instructors or, in rare cases, contracted fitness influencers to host live streaming classes, and has not provided other users including minors with access to the function to hold livestreaming classes; further, we prohibit minors under 18 from giving virtual gifts during online live streaming and has set up a customer hotline and email dedicated for minor issues including potential complaints or disputes regarding minors' virtual gifting. As of the

Latest Practicable Date, we had not experienced any material adverse impact on our business operations due to the above-mentioned laws of protection minors and had not been subject to any penalties in connection with protection of minors.

In addition, the aforementioned existing laws and regulations currently in force have provided specific and refined guidance on fitness influencer management and minor protection for online product and service providers. For example, the Law of the PRC on the Protection of Minors (2020 Revision), provides refined protection in minors' personal information, parents' consent, anti-addiction mode, limitation on minors' registration and consumption (especially on virtual gifting) in live streaming; and the Guiding Opinions on Online Live Streaming and the Profit-Making Behavior of Online Live Streaming to Promote the Healthy Development of the Industry requires the Company and the fitness influencer to strictly comply with such regulations, especially in tax matters, and the Company to verify the authenticity and credibility of the fitness influencer's registered information. The Company's PRC Legal Adviser also confirms that the recent regulatory developments on fitness influencer and minor protection, which include the Guiding Opinions on Online Live Streaming, the Regulations for the Protection of Minors of the PRC on the Internet (Draft for Comments), if become effective in their current forms, do not raise additional material compliance requirement and will not have material adverse effect on the Group's operations because all major requirements which may apply to the Group has already been stipulated in existing PRC laws and regulations.

Furthermore, the Regulations for the Protection of Minors of the PRC on the Internet (Draft for Comments) have no age limit for registration in and membership subscription, except: (i) Internet operators who collect, store, use, transfer and disclose personal information of children under the age of 14 shall establish special rules and user agreements for the protection of children's personal information, inform the children's guardians in a noticeable and clear manner and obtain the consent of the children's guardians; (ii) online live streaming service providers shall not provide minors under the age of 16 with the account registration service of online live streaming publishers; when providing account registration service of online live streaming publishers for minors reaching the age of 16, the service providers shall verify the identity information of the minors and obtain the consent of their parents or other guardians; and (iii) users under the age of 18 shall be prohibited from virtual gifting. We have implemented policies and measures that are required under the aforementioned PRC laws and regulations.

REGULATIONS RELATED TO INTERNET PUBLISHING

On February 4, 2016, the SAPPRFT and MIIT jointly issued the *Rules for the Administration for Internet Publishing Services* (《網絡出版服務管理規定》) (the "**Internet Publishing Rules**"), which took effect on March 10, 2016. The Internet Publishing Rules define "Internet publications" as digital works that are edited, produced, or processed to be published and provided to the public through the Internet, including (a) original digital works, such as pictures, maps, games, and comics; (b) digital works with content that is consistent with the type of content that, prior to the Internet age, typically was published in media such as books, newspapers, periodicals, audio-visual products, and electronic publications; (c) digital works in the form of online databases compiled by selecting, arranging, and compiling other types of digital works; and (d) other types of digital works identified by the SAPPRFT. Under the Internet Publishing Rules, Internet operators distributing such Internet publications via information network are required to apply for an Internet publishing license with the relevant governmental authorities and submit the application, if approved, to the SAPPRFT for approval before distributing Internet publications. We currently do not hold an Internet Publishing License. As of the date of this document, there are no explicit interpretations from PRC government

authorities or prevailing enforcement practice deeming the provision of our course materials through our platform as "online publishing services" which requires an Internet Publishing License. In December 2021, as confirmed in a telephone interview with officer in the publicity department of the CPC Beijing Municipal Committee, being the competent person of the competent regulatory authority in relation to the Internet Publishing License's issuance in Beijing, a company would not be required to obtain Internet Publishing License if no paper media publication is involved, and it would not be deemed to violate or be punished for violating laws and regulations related to online publishing if we engage in our existing business without obtaining the Internet Publishing License. Based on the above and due to the ambiguity of the definition of "online publishing service" under the relevant laws and regulations, we and our PRC Legal Adviser are of the view that the risk of us being compelled by law and regulations to obtain the Internet Publishing License is relatively low as of the Latest Practicable Date. Nevertheless, it remains unclear whether the local PRC government authorities would adopt a different practice. In addition, it remains uncertain whether the PRC government authorities would issue more explicit interpretation and rules or promulgate new laws and regulations. See "Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC laws and regulation, and any lack of requisite approvals, licenses, permits or registrations applicable to our business may have a material adverse effect on our business, financial conditions and results of operations".

REGULATIONS RELATED TO E-COMMERCE SERVICES

On January 26, 2014, the SAIC promulgated the *Administrative Measures for Online Trading* (《網絡交易管理辦法》), which became effective on March 15, 2014. The *Administrative Measures for Online Trading* strengthen the protection of consumers and impose more stringent requirements and obligations on online trading or service operators. For example, online business operators are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online business operators within seven days upon receipt, without giving any reason. Online business operators are prohibited from collecting any information on consumers or disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers, without their consent. Fictitious transactions, deletion of adverse comments and technical attacks on competitors' websites are prohibited as well. On March 15, 2021, the SAIC promulgated the *Measures for the Supervision and Administration of Online Trading* (《網絡交易監督管理辦法》) (the "**New Online Trading Measures**"), which took effect on May 1, 2021, to replace the *Administrative Measures for Online Trading.* The New Online Trading Measures further regulates and refines the e-commerce supervision system, including, but not limited to (i) clarifying the characteristics and responsibilities of e-commerce operators; (ii) refining the requirements of the collection and use of personal information, expressly stating that consumers cannot be forced directly or in any disguised manner to consent to the collection or use of personal information that is not directly related to the business activities by means of a general authorization, default authorization, bundling with other authorization, and discontinuing installation, etc., and clarifying the obligation of the e-commerce operators and their staff to keep the personal information collected confidential; (iii) strengthening the protection of consumer rights, for example, if e-commerce operators provide services with auto-renewable subscriptions, e-commerce operators shall remind the consumers in a conspicuous way five days before each automatic renewal and let the consumers make the decisions; and (iv) reinforcing the liabilities of e-commerce operators.

On August 31, 2018, the SCNPC promulgated the *E-Commerce Law* (《電子商務法》), which became effective on January 1, 2019. The E-Commerce Law proposes a series of requirements on

e-commerce operators including individuals and entities carrying out business online, e-commerce platform operators and merchants within the platform. Pursuant to the E-Commerce Law, an e-commerce operator shall (i) fulfill its tax obligations in accordance with laws; (ii) ensure commodities sold or services offered by it shall meet certain requirements to safeguard personal safety and property security and the requirements on environmental protection, and not supply or offer any commodity or service prohibited by laws and administrative regulations; (iii) issue purchase vouchers or service documentation, such as paper or electronic invoices for selling commodities or providing services; (iv) disclose information about commodities or services in a comprehensive, faithful, accurate and timely manner, so as to safeguard consumers' right to know and right of choice, and not engage in false or misleading publicity activities by means of fictitious deals, fabricated user comments or otherwise to cheat and mislead consumers; (v) provide consumers with irrelevant to their personal characteristics, and respect and equally safeguard the lawful rights and interests of consumers, while displaying search results of commodities or services to consumers according to their interests, preferences, consumption habits and other personal characteristics; (vi) warn consumers about the tie-in nature of the commodities and services in a prominent position and cannot set the tie-in commodities or services as the default option, if to offer tie-in commodities or services; (vii) deliver commodities or services according to its promises or the ways and time limits as agreed upon with consumers, and bear the likely risks and responsibilities when commodities are in transit, except when the consumers select a courier service provider separately; and (viii) comply with applicable laws and regulations on the protection of personal information if the e-commerce operator collects and uses consumers' personal information.

In addition, China has adopted a licensing system for food supply operations under the *Food Safety Law* (《食品安全法》) and its implementation rules. Entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses. Pursuant to the *Administrative Measures on Food Operation Licensing* (《食品經營許可管理辦法》) issued by the State Food and Drug Administration, or the SFDA, on August 31, 2015 and last amended on November 17, 2017, an enterprise needs to obtain a Food Operation Permit from the local food and drug administration, and the permits already obtained by food business operators prior to the effective date of these new measures will remain valid for their originally approved validity period. Pursuant to the *Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety* (《網絡食品安全違法行為查處辦法》) issued by the SFDA on July 13, 2016 and amended on April 2, 2021, a food producer or food business operator which carries out business via self-established website shall, within 30 working days after obtaining the approval from competent authorities, file with the local food and drug administrative authorities. We sell food and nutritional supplements through our mobile apps and websites and third-party e-commerce platforms. Our PRC subsidiaries or their branches engaging in food operation business have obtained Food Operation Permits and have filed with the local food and drug administrative authorities and thus our sale of fitness food is in compliance with applicable laws and regulations in all material aspects.

REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecom Regulations and other regulations above, mobile Internet applications, or the APPs, are specifically regulated by the *Provisions on the Administration of Mobile Internet Applications Information Services* (《移動互聯網應用程序信息服務管理規定》) (the "**APP Provisions**"), which was promulgated by the CAC on June 28, 2016 and amended on June 14, 2022, and the latest amendment of which took effect from August 1, 2022. According to the APP Provisions,

relevant qualifications required by laws and regulations shall be acquired for providing app information services and the engagement in app distribution services such as Internet app stores. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

APP providers shall fulfill their responsibilities of information security management, and perform the following duties, including, but not limited to: (i) in accordance with the principles of "real name at background, any name at foreground", verify identities with the registered users through mobile phone numbers, identity document numbers or unified social credit codes; (ii) establish and improve the mechanism for regulating personal information processing and user information security protection, following the principle of "legality, legitimate, necessity and good faith" in processing personal information, with clear and reasonable purposes; (iii) establish a sound information content review and management mechanism, and establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors' user accounts with real identity information in accordance with the law; (v) not induce users to download apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual comment control, or by using illegal and harmful information; (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others.

REGULATIONS RELATED TO ONLINE ADVERTISING BUSINESS

On April 24, 2015, the SCNPC enacted the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) (the "**New Advertising Law**"), which became effective on September 1, 2015 and last amended on April 29, 2021. The New Advertising Law requires that advertisers, advertising operators and advertisement publishers shall abide by the laws and administrative regulations, and by the principles of fairness and good faith while engaging in advertising activities.

On July 4, 2016, the SAIC issued the *Interim Measures for the Administration of Online Advertising* (《互聯網廣告管理暫行辦法》) (the "**Internet Advertising Measures**"), effective on September 1, 2016. According to the Internet Advertising Measures, Internet Advertising refers to commercial advertising for direct or indirect marketing goods or services in the form of text, image, audio, video, or other means through websites, web pages, Internet apps, or other Internet media, including promotion through emails, texts, images, video with embedded links and paid-for search results. The Internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the Internet information service providers merely provide information services and are not involved in the Internet advertisement businesses. The Internet Advertising Measures specifically set out the following requirements: (a) advertisements must be identifiable and marked with the word "advertisement" enabling consumers to distinguish them from non-advertisement information; (b) sponsored search results must be clearly distinguished from natural search results; (c) advertisements shall be published or distributed by means of the Internet without affecting the normal use of the network by users, and it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce Internet users to click on an

advertisement in a deceptive manner; and (d) Internet advertisement publishers are required to verify relevant supporting documents and check the content of the advertisement and are prohibited from publishing any advertisement with unverified content or without all the necessary qualifications. On February 25, 2023, the SAMR promulgated the Measures for the Administration of Online Advertising (《互聯網廣告管理辦法》) (the "**New Internet Advertising Measures**") which will become effective on May 1, 2023. The New Internet Advertising Measures states that all Internet Advertising activities will be regulated and clearly states that livestreaming room operators and livestreaming marketers must abide by the responsibilities and obligations of Internet Advertising operators. The New Internet Advertising Measures also provides that Internet advertisement publishers should not publish advertisements on vehicles or intelligence household electronic appliances without the users' permission or request. The New Internet Advertising Measures further strengthens the one-click-to-close requirement and prohibits advertisements for certain items on Internet media that targets minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors.

We have established training programs for employees, including regular training and specific training for New Advertising Law and Internet Advertising Measures, for clarifying the requirements for publishing advertisements on internet and all the requirements for verifying relevant supporting documents and checking the content of the advertisements. In addition, we monitor inappropriate and illegal contents by implementing internal procedure to check and verify the authenticity and content of the information on advertisements and product pages.

REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

PRC government authorities have enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the *Decisions on Maintaining Internet Security* (《關於維護互聯網安全的決定》) on December 28, 2000, which was further amended on August 27, 2009 and may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The MPS has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the MPS and its local branches may shut down its websites and suggest the relevant authority to revoke its operating license if necessary.

Under the *Several Provisions on Regulating the Market Order of Internet Information Services* (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on December 29, 2011 and became effective on March 15, 2012, an Internet information service provider must collect users' personal information by obtaining the consent of users, expressly inform the users of the method, content and purpose of the collection and processing of such user's personal information and properly maintain the user's personal information.

In addition, pursuant to the *Decision on Strengthening the Protection of Online Information* (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012 and the *Order for the*

Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On November 7, 2016, the SCNPC issued the *Cyber Security Law of the PRC* (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), which took effect as of June 1, 2017. Pursuant to the Cybersecurity Law, a network operator, which includes, among others, Internet information services providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any violation of the provisions and requirements under the Cybersecurity Law may subject the Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued the *Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps* (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

On August 22, 2019, the CAC issued the *Regulation on Cyber Protection of Children's Personal Information* (《兒童個人信息網絡保護規定》) effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On November 28, 2019, the CAC, MIIT, the MPS and the SAMR jointly issued the *Measures to Identify Illegal Collection and Usage of Personal Information by Apps* (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including, but not limited to "not publishing rules on the collection and usage of personal information", "not providing privacy rules", and "collecting and using users' personal information without consent".

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual's private information or infringe an individual's right of privacy, unless otherwise prescribed by law or with the consent of such individual or such individual's guardian.

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the *Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications*

(《常見類型移動互聯網應用程序必要個人信息範圍規定》) (the "**Necessary Personal Information Rules**"), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users' access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

On June 27, 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users (《互聯網用戶帳號信息管理規定》, which took effect on August 1, 2022. The obligations of internet-based information service providers include but not limited to: (i) authenticate the identity information of the users who apply for registration of relevant account and verify the account information submitted by users upon registration; (ii) display the location information of IP addresses of internet users' accounts on the information page of internet users' accounts; and (iii) equip themselves with professional and technical capabilities appropriate to the scale of services.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies that the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the July 6 Opinion, which emphasizes on the prevention of illegal securities activities and tightened supervision on overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules and regulations for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China's securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage.

On July 30, 2021, the State Council promulgated the CII Regulations, effective on September 1, 2021. According to the CII Regulations, a "critical information infrastructure" has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, energy, transport, water conservation, finance, public services, e-government affairs and national defense science, 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.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, effective on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various

rules on consent, transfer, and security. Entities processing personal information bear responsibilities for their activities of processing personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On July 7, 2022, the CAC promulgated the Cross-Border Data Transfer Measures which came into effect on September 1, 2022. The Cross-Border Data Transfer Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where a data processor transfers important data overseas; (ii) where a critical information infrastructure operator, or a data processor processing the personal information of more than one million individuals, who, in either case, transfers personal information overseas; (iii) where a data processor who has, since January 1 of the previous year cumulatively transferred overseas the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. Although our PRC legal adviser in respect of PRC data compliance law and our Directors are not of the view that the security assessment for cross-border data transfer would be applicable to us to date, there might be newly issued explanations or implementation rules, uncertainties with respect to applications to the CAC under the Cross-Border Data Transfer Measures still exist, and we will continually monitor our compliance status in accordance with the latest changes in applicable regulatory requirements. Our PRC legal adviser in respect of PRC data compliance law is of the view that the Company is in compliance with the Cross-Border Data Transfer Measures in all material respects.

On November 14, 2021, the CAC published a discussion draft of the Draft Data Security Regulations, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC at the municipal level before January 31, of each year. In addition, the Draft Data Security Regulations also require network platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC at the provincial level for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

We have taken several measures to comply with the Draft Data Security Regulations although it has not been formally adopted, including: (i) implementing comprehensive data security policies, including Guideline of Data Security Management System, Information Security Management Policy, Information Security Vulnerability Management Policy and Data Security Training Management Policy, and measures to cover the management of all key aspects of data lifecycle management; (ii) providing prior notices to individual users regarding the collection, usage, storage of their personal information and displaying the privacy policy in a manner for the users could easily access to; and (iii) taking technical measures to protect the personal data we collect and monitoring the data security practices. We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. Subject to the further interpretation of Draft Data Security Regulations by the competent authorities, we may be required to make further adjustments to our business operations to comply with the effective version of Draft Data Security Regulations in the future. Based on the above, our PRC legal adviser in respect of PRC data compliance law is of the view that the Company would be able to comply with the Draft Data Security Regulations in all material respects assuming the Draft Data Security Regulations are implemented in their current forms.

On December 31, 2021, the CAC together with other regulatory authorities published Administrative Provisions on Algorithm Recommendation for Internet Information Services (《互聯網信息服務算法推薦管理規定》), effective on March 1, 2022 which provides, among others, that algorithm recommendation service providers shall establish and improve the management systems and technical measures for algorithm mechanism and principle review, scientific and technological ethics review, user registration, information release review, data security and personal information protection, anti-telecommunications and Internet fraud, security assessment and monitoring, and security incident emergency response, formulate and disclose the relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation service.

On December 28, 2021, thirteen regulatory authorities jointly released the Cybersecurity Review Measures. The Cybersecurity Review Measures provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators that master personal information of more than one million users and seek to list abroad (國外上市) shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process. Pursuant to the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, the Hong Kong Special Administrative Region is an inalienable part and a local administrative region, of the People's Republic of China. We intend to list on the Hong Kong Stock Exchange. Therefore, the requirement regarding "listing abroad" (國外上市) shall not be applicable to us. In addition, considering the type and nature of the personal information we gathered is of less national security significance, the risk of us being required to undertake cybersecurity review for the Listing under the Cybersecurity Review Measures is relatively low.

We have adopted a strict data privacy policy for protecting the confidential information of our users to abide by network security requirements under such laws and regulations and we have taken

several measures to better protect our users' privacy and interests. See "Risk Factors—Risks Related to Our Business and Industry—Our business generates, processes, collects and stores a large amount of data, and the unauthorized access, improper use or disclosure of such data could subject us to significant reputational, financial, legal and operational consequences, and deter current and potential users from using our services". Based on the above, our PRC legal adviser in respect of PRC data compliance law is of the view that we are in compliance with the existing PRC laws and regulations in respect of data compliance in all material aspects, and our Directors are of the view that the existing laws and regulations in respect of data compliance will not have material adverse impacts on our business operations.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY PROTECTION

Copyright

On September 7, 1990, the SCPNC promulgated the *Copyright Law of the PRC* (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was amended in 2001, 2010, and 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights that shall be enjoyed by the copyright owners. Reproducing, publishing, performing, projecting, broadcasting or plagiarizing without permission from the owner of the copyright, unless otherwise provided in the Copyright Law of the PRC, shall constitute infringements of copyrights.

In order to further implement the *Computer Software Protection Regulations* (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013 respectively, the National Copyright Administration, or the NCA, issued *Computer Software Copyright Registration Procedures* (《計算機軟件著作權登記辦法》) on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

To address the problem of copyright infringement related to content posted or transmitted over the Internet, on April 29, 2005 the NCA and the MII jointly promulgated the *Measures for Administrative Protection of Copyright Related to Internet* (《互聯網著作權行政保護辦法》), which became effective on May 30, 2005. Upon receipt of an infringement notice from a legitimate copyright holder, an ICP operator must take remedial actions immediately by removing or disabling access to the infringing content. If an ICP operator knowingly transmits infringing content or fails to take remedial actions after receipt of a notice of infringement harming public interest, the ICP operator could be subject to administrative penalties, including an order to cease infringing activities, confiscation by the authorities of all income derived from the infringement activities, or payment of fines.

On May 18, 2006, the State Council promulgated the *Regulations on the Protection of the Right to Network Dissemination of Information* (《信息網絡傳播權保護條例》), which was amended in 2013. Under these regulations, an owner of the network dissemination rights with respect to written works or audio or video recordings who believes that information storage, search or link services provided by an

Internet service provider infringe his or her rights may require that the Internet service provider delete, or disconnect the links to, such works or recordings.

As of December 31, 2022, we have registered 57 computer software copyright in the PRC.

Trademark

On August 23, 1982, the SCNPC promulgated the *Trademark Law of the PRC* (《中華人民共和國商標法》) (the "**Trademark Law**"), which was last amended on April 23, 2019. On August 3, 2002, the State Council promulgated the *Implementation Regulation for the Trademark Law* (《中華人民共和國商標法實施條例》), which was amended on April 29, 2014. Under the Trademark Law and the implementation regulation, the Trademark Office of China National Intellectual Property Administration, or the Trademark Office, is responsible for the registration and administration of trademarks in China. Registered trademarks are valid for a term of 10 years from the date of the registration. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

As of December 31, 2022, we have 815 registered trademarks in the PRC.

Patent Law

The SCNPC promulgated the *Patent Law of the PRC* (《中華人民共和國專利法》) on March 12, 1984, which was amended in 1992, 2000, 2008, and 2020, respectively. On June 15, 2001, the State Council promulgated the *Implementation Regulation for the Patent Law* (《中華人民共和國專利法實施細則》), which was amended on December 28, 2002 and January 9, 2010. According to these laws and regulations, the State Intellectual Property Office is responsible for administering patents in the PRC. The PRC patent system adopts a "first to file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who filed the application first. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Furthermore, patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs, starting from the application date. Except under certain specific circumstances provided by law, any third-party user shall obtain prior consent or a proper license from the patent owner to use the patent, otherwise, such third party may result in an infringement of the rights of the patent holder.

As of December 31, 2022, we have been granted 346 patents in the PRC.

Domain Names

Domain names are protected under the *Administrative Measures on the Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center, or the CNNIC, is responsible for the daily administration of ".cn" domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the *Notice on Regulating the Use of Domain Names in Providing Internet-based Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

As of December 31, 2022, we have held 30 domain names relating to our business.

REGULATIONS RELATED TO PRODUCT LIABILITY AND CONSUMER PROTECTION

The *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

The MIIT sets forth various requirements for consumer protection in the *Notice on Issues Concerning Short Message Service* (《信息產業部關於規範短信息服務有關問題的通知》), issued on April 15, 2004, which addresses certain problems in the telecommunications sector, including ambiguity in billing practices for premium services, poor quality of connections and unsolicited SMS messages, all of which impinge upon the rights of consumers. On May 26, 2016, the MIIT issued the *Measures on the Complaint Settlement of the Telecommunication Services Users* (《電信用戶申訴處理辦法》), or the Complaint Settlement Measures, which took effect on July 30, 2016. The Complaint Settlement Measures require telecommunication services providers to respond to their users within fifteen days upon the receipt of any complaint delivered by such users, the failure of which will give the complaining users the right to file a complaint against the service providers with the provincial branch offices of the MIIT. We are aware of the increasingly strict legal environment covering product quality and consumer protection in the PRC, and we strive to adopt all measures necessary to ensure that our business complies with these evolving standards in all material aspects.

REGULATIONS RELATED TO FOREIGN EXCHANGE

Regulations Related to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in PRC are the *Administrative Regulations for Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**"), which was promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless the prior approval of the SAFE is obtained and prior registration with the SAFE or its local branches is made.

The SAFE released the SAFE Circular 19, on March 30, 2015 and it became effective on June 1, 2015. In accordance with the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the "discretional foreign exchange settlement" approach. The proportion of discretional foreign exchange settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%, while SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments. On June 9, 2016, the SAFE published the SAFE Circular 16, and it took effect at the same time. According to the SAFE Circular 16, enterprises that have registered in the PRC may also discretionally determine to convert their foreign debts from foreign currency to RMB.

The SAFE issued the SAFE Circular 13, on February 13, 2015, and it took effect on June 1, 2015. The SAFE Circular 13 requires PRC residents or entities to register with qualified banks rather than SAFE or its local branches with relation to the direct investment in foreign exchange beyond China.

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

On July 4, 2014, SAFE promulgated the SAFE Circular 37, which has become effective on the same date.

Under SAFE Circular 37, PRC residents, including PRC individuals and institutions, shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned onshore or offshore assets or interests, as a "special purpose vehicle" under SAFE Circular 37. SAFE Circular 37 further requires amendment to the registration in the event of any significant or material changes with respect to the special purpose vehicle. In the event that a PRC shareholder holding equity interests in a special purpose vehicle fails to comply with the required SAFE registration, the PRC subsidiaries of such special purpose vehicle may be prohibited from making profit distributions to its offshore parent company and prohibited from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries.

Under SAFE Circular 37, if a non-listed special purpose vehicle uses its own equity to grant equity incentives to any directors, supervisors, senior management or any other employees directly employed by a domestic enterprise which is directly or indirectly controlled by such special purpose vehicle, or with which such an employee has established an employment relationship, related PRC

residents and individuals may, prior to exercising their rights, apply to the SAFE for foreign exchange registration formalities for such special purpose vehicle. However, in practice, different local SAFE offices may have different views and procedures on the interpretation and implementation of the SAFE Regulation, and since SAFE Circular 37 was the first regulation to regulate the foreign exchange registration of a non-listed special purpose vehicle's equity incentives granted to PRC residents, there remains uncertainty with respect to its implementation. These aforementioned regulations shall apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions and share transfer that we make in the future if our shares are issued to PRC residents. See "Risk Factors—Risks Related to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law".

REGULATIONS RELATED TO STOCK INCENTIVE PLANS

Under the SAFE Circular 7, which was enacted by SAFE on February 15, 2012 and became effective on the same date, and other relevant rules, domestic employees, directors, supervisors, consultants and other senior management taking part in any equity incentive plan of an overseas publicly listed company, who is a PRC citizen or non-PRC citizen residing in China for a continuous period of no less than one year, shall complete the registration and other several procedures with SAFE and its local branch. The PRC residents joining in the equity incentive plan must retain one domestic qualified agent to handle the registration in SAFE, opening of bank account, capital transfer and other procedures relevant to the equity incentive plan. At the same time, an overseas institution shall be entrusted, as well, to perform the exercise, trade the corresponding shares or equities, capital transfer and other issues. The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before he or she would exercise the rights of employee stock ownership plan. Failure to complete the SAFE registrations may result in fines and legal sanctions on such domestic individuals and may also limit their capability to contribute additional capital into the wholly foreign-owned subsidiary in China and further limit such subsidiary's capability to distribute dividends. See "Risk Factors—Risks Related to Doing Business in China—Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions".

REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

The principal laws and regulations governing distribution of dividends of foreign holding companies include the *Company Law of the PRC* (《中華人民共和國公司法》), which was last amended on October 26, 2018, the *Foreign Investment Law* (《中華人民共和國外商投資法》), which was promulgated on March 15, 2019, and the *Implementation Rules of the Foreign Investment Law* (《中華人民共和國外商投資法實施條例》), which was promulgated on December 26, 2019.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to

allocate at least 10% of their respective accumulated profits (after tax) each year, if any, to certain reserve funds until the amount of reserves has reached 50% of the registered capital of the enterprises. The amount of reserves is not distributable as cash dividends. Any PRC companies shall not distribute any profits until any losses from prior fiscal years have been offset. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Limitation on the ability of our VIE to make remittance to our wholly-foreign owned enterprise and on the ability of our wholly-foreign owned enterprise to pay dividends to us could limit our ability to access cash generated by the operations of those entities. See "Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business".

REGULATIONS RELATED TO M&A

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM and the CSRC, jointly issued the M&A Rules, which became effective on September 8, 2006 and amended on June 22, 2009. The M&A Rules includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of the overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The M&A Rules also establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise.

In February 2011, the General Office of the State Council promulgated a *Notice 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》) (the "**Circular 6**"), which established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire "de facto control" of domestic enterprises with "national security" concerns. In August 2011, the MOFCOM promulgated the *Rules on Implementation of Security 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》), effective from September 1, 2011, which provide that the MOFCOM will look into the substance and actual impact of a transaction and prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

REGULATIONS CONCERNING OVERSEAS SECURITIES OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated Trial Administrative Measures of the 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》) (the "**Overseas Listing Trial Measures**") and five related guidelines, which will become effective on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform

the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities through a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either through direct or indirect means, are required to go through the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas offering and listing is explicitly prohibited, if: (i) such securities offering and listing is explicitly prohibited by laws, regulations or relevant rules; (ii) the intended overseas securities offering and listing may endanger national security as determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for **[REDACTED]** to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》),which, among others, clarifies that (1) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may arrange the timing for submitting their filing applications with the CSRC in a reasonably manner, and must complete the filing before the completion of their overseas securities offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as companies that passed the Stock Exchange hearing), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements. At the press conference, officials from the relevant CSRC department clarified that, as for companies seeking overseas offering and listing with contractual arrangements (VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and file for overseas listing of enterprises with VIE structure that meet the compliance requirements.

On February 24, 2023, the CSRC, together with the Ministry of Finance, the National Administration of State Secrets Protection Bureau and the National Archives Administration issued the "Provisions on Strengthening Confidentiality and Archives Administration 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 sets forth the requirements for the confidentiality and archives requirements of direct or indirect overseas listing of domestic enterprises, and will come into effect on March 31, 2023.

REGULATIONS RELATED TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

On June 29, 2007, the SCNPC promulgated the *Employment Contract Law of the PRC* (《中華人民共和國勞動合同法》), which became effective as of January 1, 2008, and was amended on December 28, 2012, which requires employers to provide written contracts to their employees, restricts the use of temporary workers and aims to give employees long-term job security.

An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions.

The PRC government authorities have passed a variety of laws and regulations regarding social insurance and housing funds from time to time, including, among others, the *PRC Social Insurance Law* (《中華人民共和國社會保險法》) and the *Regulation on the Administration of Housing Provident Funds* (《住房公積金管理條例》). Pursuant to these laws and regulations, companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds to apply for social insurance registration and housing funds deposit registration within 30 days of their establishment and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. Failure to comply with such laws and Regulation may result in various fines and legal sanctions and supplemental contributions to the local social insurance and housing fund governmental authorities. We have caused all of our full-time employees to enter into written employment contracts with us and have provided and currently provide our employees with proper welfare and employee benefits as required by the PRC laws and regulations.

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, a work contract is a contract under which a contractor, in accordance with the requirements of a client, completes a work and delivers the work product to the client who pays remuneration in return. The contractor shall complete the principal part of the word with his own equipment, technology, and labor force, unless otherwise agreed by the parties. A contractor may entrust the accessory part of his contracted work with a third person, and the contractor shall be accountable to the client concerning the word product completed by the third person.

On January 24, 2014, the Ministry of Human Resources and Social Security promulgated the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) (the "**Interim Labour Dispatch**"),

effective on March 1, 2014, specified the scope and proportion of the usage of labourer, execution and performance of labour dispatch agreements and legal liability. According to the Interim Labour Dispatch, an employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. Where an employer uses laborers in the form of labor dispatch under the name of hired work, outsourcing, etc., the provisions hereof shall apply.

REGULATION RELATED TO TAXATION

PRC Enterprise Income Tax Law

The *Enterprise Income Tax Law* (《中華人民共和國企業所得税法》) which was enacted by the NPC on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the *Implementing Rules of the Enterprise Income Tax Law* (《中華人民共和國企業所得税法實施條例》), which was promulgated by the State Council on December 6, 2007 and amended on April 23, 2019 (collectively, the "PRC EIT Law"). The PRC EIT Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Enterprises qualifying as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its "High and New Technology Enterprise" status.

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

PRC Value-added Tax and Business Tax

Pursuant to *the Provisional Regulations on PRC Value-Added Tax* (《中華人民共和國增值税暫行條例》) promulgated by the PRC State Council on December 13, 1993 which was most recently amended on November 19, 2017 and its implementation regulations promulgated by the MOF on December 18, 2008, and subsequently amended by the MOF and the SAT on October 28, 2011, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenue generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

On December 30, 2022, the SCNPC has publicly solicited opinions on PRC Value-Added Tax Law (Draft) (《中华人民共和国增值税法（草案）》) (the "Draft PRC Value-Added Tax Law"), which stipulates VAT tax payers, the territory of taxation, tax rate, tax payable, tax incentives and taxation administration. Except as otherwise stipulated by the Draft PRC Value-Added Tax Law, for general VAT taxpayers providing services and selling intangible assets, the value-added tax rate is 6%. The Provisional Regulations on PRC Value-Added Tax will be repealed on the same day the Draft PRC Value-Added Tax Law comes into effect.

Pursuant to *the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates* (《關於調整增值税税率的通知》) issued on April 4, 2018, which came into effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

In accordance with *the Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (《關於深化增值税改革有關事項的公告》) issued by the MOF, the SAT and the General Administration of Customs on March 21, 2019, which came into force on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; and the currently applicable VAT rate of 10% shall be adjusted to 9%.

REGULATIONS RELATED TO ANTI-MONOPOLY

On August 30, 2007, the SCNPC adopted *the PRC Anti-Monopoly Law* (《中華人民共和國反壟斷法》) (the "**AML**"), which became effective on August 1, 2008 and provides the regulatory framework for the PRC anti-monopoly. Under the AML, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

Pursuant to the AML, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities. The SCNPC decided to amend the AML on June 24, 2022. The amendment to the AML took effect from August 1, 2022, which further stipulates that undertakings which hold dominant market position shall not abuse their dominant market position to engage in the preceding activities by taking advantage of data, technology and platform rules.

Pursuant to *the Regulations on Filing Threshold for Concentration of Undertakings* (《國務院關於經營者集中申報標準的規定》) promulgated by the PRC State Council on August 3, 2008 and amended on September 18, 2018, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly authorities, if (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within PRC in the preceding fiscal year, or (ii) the total turnover within PRC of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within PRC in the preceding fiscal year are triggered, and no concentration shall be implemented without such filing. "Concentration of undertakings" means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means.

In addition, pursuant to the AML and relevant regulations, entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition, is prohibited, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of small and medium-sized undertakings.

On February 7, 2021, the Anti-monopoly Commission of the State Council issued the *Anti-monopoly Guidelines on Platform Economy* (《關於平台經濟領域的反壟斷指南》) (the "**Guidelines**"), which became effective on the same day. The Guidelines provide that the AML and relevant regulations are applicable to internet platforms and businesses participating in platform economy.

In August 2021, the SAMR issued the Draft Provisions on Preventing Unfair Online Competition, which mainly regulates the production and operation activities of business operators through the Internet and other information networks, and specifically stipulates the general norms of online competition, prohibits the use of technical means to impede, interfere or conduct other unfair competition behaviors and prohibits the use of technical means to conduct other online unfair competition behaviors. As of the Latest Practicable Date, the Draft Provisions on Preventing Unfair Online Competition has not been formally adopted, and due to the lack of further clarification, there are still uncertainties regarding the interpretation and implementation of the Draft Provisions on Preventing Unfair Online Competition.

If business operators fail to comply with the AML or relevant regulations, the anti-monopoly authorities have the power to cease the relevant activities, unwind the transactions, and confiscate illegal gains and fines.