
REGULATORY OVERVIEW

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT

As certain of the Company's shareholders are foreign shareholders, the Company shall comply with regulations on foreign investment which mainly regulate market access, investment, and industry restrictions for foreign-invested enterprises.

In March 2019, the Foreign Investment Law of PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law was promulgated by National People's Congress and came into effect on January 1, 2020, which replaced the Sino-Foreign Equity Joint Venture Enterprise Law of PRC, the Sino-Foreign Cooperative Joint Venture Enterprise Law of PRC and the Wholly Foreign-owned Enterprise Law of PRC, and became the legal foundation for foreign investment in the PRC. To ensure the effective implementation of the Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》), or the Implementation Regulations, was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further provides that a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law shall adjust its legal form or governance structure to comply with the provisions of the Company Law of the PRC or the Partnership Enterprises Law of the PRC, as applicable, and complete amendment registration before January 1, 2025.

According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the Negative List. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those investing in the industries specified in the Negative List.

The National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, in December 2021. The 2021 Negative List sets out the industries in which foreign investments are prohibited or restricted. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

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

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Pursuant to the 2021 Negative List and the Regulations for the Foreign-Invested Telecommunications Enterprises (Revised in 2022) (《外商投資電信企業管理規定(2022修訂)》), which was promulgated by the State Council in 2001 and most recently amended on March 29, 2022, the ultimate foreign equity ownership in a foreign-invested value-added telecommunication enterprise (except for the investment in e-commerce operation business, domestic multi-party communication business, information storage and re-transmission business or call center business) is subject to a cap of 50%.

REGULATIONS ON E-COMMERCE

Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), or the Telecommunications Regulations, as promulgated by the State Council in 2000 and most recently amended in 2016, requires telecommunications service providers to obtain operating licenses prior to the commencement of their operations. The Telecommunications Regulations distinguish “infrastructure telecommunications services” from “value-added telecommunications services” and operators of value-added telecommunications services shall obtain value-added telecommunications business operation licenses from the Ministry of Industry and Information Technology, or the MIIT, or its provincial branches prior to the commencement of such services.

Moreover, the Administrative Measures on Telecommunications Business Operating Licenses (2017 Revision) (《電信業務經營許可管理辦法(2017)》), or the Licenses Measures, promulgated by the MIIT in July 2017, set forth more provisions to specify the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for applying such licenses and the administration and supervision of such licenses.

Both the Company and Zhengzhou Guoquan Shihui Network Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司) have obtained the Value-added Telecommunications Business License according to the abovementioned regulations, and the scope of permitted services includes online data processing and transaction processing services.

E-commerce Activities

The Company has developed online sales channels including Guoquan APP, WeChat mini-program as well as popular social commerce platforms such as Douyin, and shall comply with the relevant regulations in relation to E-commerce activities to conduct its business through these channels.

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), or the E-Commerce Law, promulgated by the Standing Committee of the National People’s Congress, or the SCNPC, on August 31, 2018 and effective from January 1, 2019, specified that the natural persons, legal persons and other non-legal persons who sell goods or provide services through the Internet and other information networks in China are e-commerce operators. When

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engaging in operation activities, e-commerce operators shall adhere to the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics to participate in market competition fairly, perform obligations in respect of consumer rights protection, environmental protection, intellectual property protection, cyber security and personal information protection, assume product and service quality responsibilities, and accept the supervision of the government and society.

The Provisions on the Administration of Mobile Internet Applications Information Services (2022 Revision) (《移動互聯網應用程序信息服務管理規定(2022)》) which was promulgated by the Cyberspace Administration of China, or the CAC, on June 14, 2022 and effective from August 1, 2022, set forth the relevant requirements for the APP information service providers and APP store service providers, including acquiring relevant qualifications in accordance with laws and regulations, establishing sound information content review and management mechanism, and meeting the mandatory requirements of relevant national standards.

Pursuant to the Online Trading Supervision and Management Measures (《網絡交易監督管理辦法》) promulgated by the SAMR, on March 15, 2021, and effective from May 1, 2021, online trading operators who collect and use consumers' personal information, shall follow the principles of legality, propriety and necessity, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers' consent, and announce their policies on collection and use. In addition, online trading operators and their employees shall strictly keep confidential the personal information they have collected.

On April 23, 2021, the CAC and other six PRC regulatory authorities jointly issued the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation) (《網絡直播營銷管理辦法(試行)》), which effective on May 25, 2021. According to these measures, live-streaming studio operators refer to individuals, legal persons, and other organizations that establish live-streaming studios to engage in online marketing activities by registering accounts on a live-streaming marketing platform or through self-built websites or other network services. Live-streaming marketing personnel refer to individuals that directly engage in marketing to the public in online live-streaming marketing. Operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit acts such as publicizing false or misleading information, marketing counterfeit or shoddy goods and fabricating or tampering with data traffic including transactions, attention, number of views, number of comments.

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》) promulgated by the State Administration of Food and Drug (now merged into the SAMR) in 2016, and later amended on April 2, 2021 and effective from June 1, 2021, online food trading third-party platform providers or food producers or traders that trade through their self-established websites shall file a record with

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the competent department and obtain the filing number. Failing to perform aforementioned filing obligations may subject the provider or the food producer or trader to legal consequences such as being ordered to rectify, receiving warnings and being fined of not less than RMB5,000 but not more than RMB30,000 where the provider or the food producer or trader refuses to take corrective actions.

REGULATIONS ON FOOD OPERATION

As the provision of the Group's business covers food operation and production, the Group shall comply with the relevant provisions on food operation, such as obtaining the food operation license in accordance with the Administrative Measures for Food Operation Licensing, and conforming to measures specified in the Food Safety Law and its Implementation Regulations to ensure food safety, and assuming responsibilities for food safety according to the Administrative Measures for Food Recall.

Food Operation

On August 31, 2015, the State Administration of Food and Drug (now merged into the SAMR) promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the aforementioned Measures, entities or individuals involved in food selling and catering service in China shall obtain the food operation license, which shall be valid for 5 years. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types and the degree of risk of their operation projects, and applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects. Moreover, the SAMR promulgated the Administrative measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) on June 15, 2023 and will be effected on December 1, 2023, which further clarify the specific requirements for only selling prepackaged food record-filing.

Food Safety

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, which was promulgated by the SCNPC on February 28, 2009, and latest amended on April 29, 2021, and the Implementation Regulations for the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) promulgated by the State Council on July 20, 2009 and most recently amended on October 11, 2019 and effective from December 1, 2019, anyone who engages in food production, food selling, or catering services shall obtain the license according to the Food Safety Law. Food producers and business operators shall take and conform to the measures specified in the Food Safety Law and its Implementation Regulations to ensure food safety, violation of these required measures may subject food producers and business operators to the legal consequences including warnings, orders to rectify, confiscations of illegal gains, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

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Food Recall System

According to the Administrative Measures for Food Recall (《食品召回管理辦法》) promulgated by the State Administration of Food and Drug (now merged into the SAMR) on March 11, 2015 and the most recently amended and effective from October 23, 2020, food producers and operators shall, according to law, assume primary responsibilities for food safety, by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where food producers or operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Where any food operator violates the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the competent authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000.

Liquor Circulation

The Group sells alcohol products in stores and according to relevant regulations on liquor circulation, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, before July 10, 2023, stores in Shanghai are required to obtain such license before engaging in alcohol retailing.

Pursuant to Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the "13th Five-Year" Period (《商務部關於“十三五”時期促進酒類流通健康發展的指導意見》), which was promulgated by MOFCOM on February 13, 2017, it stipulates to eliminate the regional alcohol ban, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the formation of a large market and circulation of alcohol.

However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities (《上海市酒類商品產銷管理條例》), which was adopted by the Standing Committee of Shanghai People's Congress on September 17, 2010, local enterprises that engage in alcohol wholesaling must apply to the municipal wine monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district (county) wine administrative department for an alcohol retail license.

According to the Administrative Measures of Shanghai Municipality for Operation and Licensing of Alcohol Commodities (Trial Implementation) (《上海市酒類商品經營許可和管理辦法(試行)》) promulgated by the Administration of Market Regulation of Shanghai on February 28, 2020, a licensing system shall be practiced in the operation of wine commodities in Shanghai and no entity or individual shall be engaged in the operation of wine commodities without the permission. On March 30, 2022, the validity period of the said Measures was extended to March 31, 2024 according to an announcement by the Administration of Market Regulation of Shanghai.

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On June 7, 2023, the Administration of Market Regulation of Shanghai released an Announcement Regarding the Adjustment of Relevant Matters of Operation and Licensing of Alcohol Commodity (《關於調整酒類商品經營許可有關事項的公告》) (the "Announcement"), which will take effect on July 10, 2023, and be valid until July 9, 2028. According to the Announcement, Shanghai will no longer issue a separate alcohol wholesale license or retail license and the operation of alcohol commodities shall be incorporated in the scope of food operation licenses. The alcohol wholesale licenses or retail licenses that have been issued shall remain valid within their validity period. If the operators continue to engage in operation of alcohol commodities when their licenses are expired, they shall apply for a food operation license that contains alcohol commodity operation.

REGULATIONS ON PRODUCT QUALITY

As the provision of the Group's business covers food operation and production, the Group shall comply with the Product Quality Law and adopt measures to maintain the quality of products for sale, and be responsible for the quality of their products.

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 and effective from the same date, producers shall be responsible for the quality of their products and sellers shall adopt measures to maintain the quality of products for sale. Where a defective product causes physical injury or damage to a third-party's property, the victim may claim compensation from the manufacturer or 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, and vice versa, if the manufacturer pays compensation and it is the seller that is liable, the manufacturer has a right of recourse.

REGULATIONS ON COMMERCIAL FRANCHISING

The Company is operating the franchise business model and therefore shall comply with relevant regulations including the Administration of Commercial Franchising and the Administrative Measures for the Filing of Commercial Franchisees. It is required to file with competent authority and govern franchise agreements according to such regulations.

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on February 6, 2007, and took effect on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licences through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the Ministry of Commerce, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the Ministry of Commerce. The Franchising

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Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On December 12, 2011, the Ministry of Commerce promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which took effect on February 1, 2012 and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the Ministry of Commerce or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the Ministry of Commerce for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the Ministry of Commerce or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), which was promulgated by the Ministry of Commerce on April 30, 2007, and later amended on February 23, 2012 and effective from April 1, 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

REGULATIONS ON SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

Pursuant to the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》), or the Administrative Measures on Single purpose Prepaid Cards, which was promulgated by MOFCOM in 2012 and was amended in 2016, single-purpose commercial prepaid cards are prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in various forms such as magnetic stripe cards, chip cards, and paper coupons as well as virtual cards. Card-issuers shall complete filing formalities within 30 days from the date of carrying out single purpose card businesses. Violation of the aforementioned regulations may result in an order of rectification. Where the card issuer fails to rectify within a stipulated period, a fine ranging from RMB10,000 to RMB30,000 may be imposed. Henan Guoquan has issued single-purpose commercial prepaid cards for consumers who use to pay for products through the Company's Guoquan APP, WeChat mini-program and in offline retail stores. As such, it shall comply with the Administrative Measures on Single-Purpose Commercial Prepaid Cards.

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REGULATIONS ON CONSUMER PROTECTION

The Group is engaged in the sale of food to consumers and therefore shall comply with the Consumers Rights and Interests Protection Law.

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), or the Consumer Protection Law, which was promulgated in 1993 by the SCNPC and latest amended on October 25, 2013 and effective from March 15, 2014, it imposes stringent requirements and obligations on business operators including, among others, (i) guarantee that the products and services they provide satisfy the requirements for personal safety or property security, (ii) provide consumers with authentic and complete information about the quality, function, usage and term of validity of the products or services, (iii) ensure the actual quality and functionality of products or services are consistent with advertising materials, product descriptions or samples, failure of which may subject business operators to civil liabilities such as repairing, remaking, exchanging or returning of commodities, making up shortage, refunding purchase prices and service fees, and compensation, and even subject the business operators to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The Company's business processes personal information of users, franchisees and suppliers, and thus are required to comply with applicable laws, rules and regulations relating to the process of personal information.

Regulations on Privacy Protection

Pursuant to the PRC Civil Code, personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

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On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than 50 million RMB or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

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Regulations on Internet Information Security

The Decisions on Protection of Internet Security enacted by the SCNPC (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators are broadly defined as owners and administrators of networks and network service provider and subject to various security protection-related obligations, including but not limited to (i) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity incidents; (ii) formulating an emergency plan and promptly responding to and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) providing technical assistance and support to public security and national security authorities for protection of national security and criminal investigations in accordance with the law.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

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On July 6, 2021, the General Office of the CPC Central Committee, and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and improve the legislation on data security, cross-border data transmission, and confidential information management.

On November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security Management, which specified that data processor who process the personal information of more than one million individuals and seeks to go public overseas, shall apply for cybersecurity review. In addition, the Draft Regulations on Cyber Data Security Management also regulate other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-broader data safety management and obligations of network platform operators.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that the purchase of cyber products and services or network platform operators that engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Cross-border Data Transfer 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 the important data are transferred to an overseas recipient; (ii) where the personal information is transferred to an overseas recipient by an operator of critical information infrastructure or a data processor that has processed personal information of more than one million people; (iii) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 people or sensitive personal information of 10,000 people since January 1 of the preceding year; or (iv) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

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REGULATIONS ON ENVIRONMENTAL PROTECTION

As the provision of the Group's business includes food production, the Group shall comply with regulations on environmental protection to construct and operate production facilities as well as discharge pollutants.

Regulations on Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated on December 26, 1989 by SCNPC, and most recently amended on April 24, 2014, and took effect on January 1, 2015. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

Regulations on Environmental Impact Assessment and Completion Acceptance

According to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, and latest amended on December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and effective on October 1, 2017, and the Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) on November 20, 2017, the State implements classified management on the environmental impact assessment of construction projects in accordance with the degree of impact of construction projects on the environment. Construction entities shall organize the preparation of environmental impact report, environmental impact statement, or filling in environmental impact registration form in accordance with the degree of impact of construction projects on the environment. According to the Environmental Impact Assessment Law, where a construction entity put the construction project into production or use while the complementary environmental protection facilities of a construction project are not constructed or have not undergone acceptance inspection or do not pass acceptance inspection, the ecological environment authorities at the county level or above shall order it to make correction within a stipulated period and impose a fine ranging from RMB200,000 to RMB1 million; where correction is not made within the stipulated period, a fine ranging from RMB1 million to RMB2 million shall be imposed; for the person-in-charge and other responsible personnel, a fine ranging from RMB50,000 to RMB200,000 shall be imposed; where the construction project causes significant environmental pollution or ecological damage, the production or use shall be suspended, or the project shall be closed down upon approval by the competent government.

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Regulations on Pollutant Discharge Permit

According to the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) promulgated on May 11, 1984 and most recently amended on June 27, 2017, and the Environmental Protection Law, and the Administrative Measures for Pollutant Discharge Permit (Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) and latest amended on August 22, 2019, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution. The State implements a pollutant discharge permit management system and enterprises and other production operators that are included in the classification management catalog of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit, and the pollutant discharge entities that are not included in the scope are not required to apply for a pollutant discharge permit for the time being. According to the Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in 2015 and most recently amended in December 2022 and effective on February 1, 2023, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network, or the Drainage Permit.

Pursuant to the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, all enterprises and individuals generating or engaging in the collection, storage, transport, utilization or disposal of solid wastes shall adopt measures to prevent or reduce environmental pollution by solid wastes and shall bear liability for any resulting environmental pollution in accordance with the law. In accordance with the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019, the State implements key management, simplified management and registration management of pollutant discharge permits based on factors such as the amount of pollutants generated and discharged, the degree of impact on the environment. The pollutant discharge entity that generates or discharges very small amount of pollutants and has small impact on the environment shall be implemented registration management, and is not required to apply for a pollutant discharge license, but shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform.

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REGULATIONS ON CONSTRUCTION AND FIRE PREVENTION

The Group shall comply with regulations on construction and fire prevention to conduct construction projects.

Construction Permits

Pursuant to the Administrative Measures on the Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on June 25, 2014 and latest amended on March 30, 2021, the construction entity shall apply for the Construction Permit before commencing the construction and decoration of all types of buildings and their ancillary facilities, the installation of supporting lines, pipelines and equipment, and the construction of municipal infrastructure projects in cities and towns within the territory of China, provided that the investment amount of the construction project is below RMB300,000 or the construction area of the construction project is below 300 sq.m.. With respect to each construction project that commenced without a Construction Permit, the construction entity may be ordered to suspend construction, take remedial measures within a prescribed period, and may be fined 1% to 2% of the contract price of the construction project, while the contractor may be subject to a fine of up to RMB30,000.

Fire Prevention

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, fire acceptance should be done for special construction projects which meet certain conditions, fire filing should be done for other types of construction projects. The construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant governmental authorities to close down and shall be imposed a fine of RMB30,000 up to RMB300,000.

On August 12, 2015, the Ministry of Public Security promulgated Eight Measures to Deepen Reform and Serve Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 sq.m. is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures.

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REGULATIONS ON REAL ESTATE LEASING

As the Group leases properties, it is regulated by the Civil Code and the Administrative Measures on Leasing of Commodity Housing.

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Competition among business operators, including the Company, is generally governed by the Anti-unfair Competition Law and Price Law.

Anti-Unfair Competition Law

Competition among business operators is generally governed by the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which was promulgated by SCNPC on September 2, 1993, and amended on November 4, 2017, and April 23, 2019, respectively. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness, and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. According to the Anti-Unfair Competition Law, improper market activities including infringing the business secrets of others, conducting false or misleading publicity through advertising or other means are in violation of the law and may result in imposition of fines, confiscation of gains derived from such violation, and in severe circumstances, revocation of business licenses.

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Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》), or the Price Law, which was promulgated by the SCNPC on December 29, 1997 and effective on May 1, 1998, business operators are prohibited from engaging in unfair pricing activities, including manipulating market prices, dumping commodities at a price lower than cost, manipulation of prices, deception of consumers or other business operators by using false or misleading prices, and price discrimination. If a business operator violates the Price Law, he/she shall be subject to administrative penalties, such as warning, cessation of illegal activities, confiscation of illegal gains and fines, and the business operator may be ordered to suspend business for rectification or the business license may be revoked in severe circumstances.

REGULATIONS ON THIRD-PARTY SETTLEMENT ARRANGEMENT AND USE OF PERSONAL BANK ACCOUNTS

Pursuant to the PRC Company Law, companies shall not establish separate accounting books other than statutory accounting books and company assets shall not be deposited in accounts opened and maintained in the name of any individual. A company that violates the provision and establishes separate accounting books, shall be ordered to rectify and imposed a fine ranging from RMB50,000 to RMB500,000.

According to the Measures for the Administration of RMB Bank Settlement Accounts (《人民幣銀行結算帳戶管理辦法》), which was promulgated by the People's Bank of the PRC on April 10, 2003 and later amended on April 29, 2020, if an entity settles its corporate funds through a personal bank account, a warning or fine ranging from RMB5,000 to RMB 30,000 will be imposed upon such entity.

According to the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), or the Anti-money Laundering Law, which was promulgated by the SCNPC on October 31, 2006, anti-money laundering mean the adoption of relevant measures stipulated in the Anti-money Laundering Law to prevent money laundering activities by various means to hide or conceal the source and nature of gains and other profits from drug offences, organised crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, financial fraud, etc.. Where a violation of the provisions of the Anti-money Laundering Law constitutes a criminal offence, criminal liability shall be imposed according to the law.

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REGULATIONS ON INTELLECTUAL PROPERTY

The Group's intellectual property rights primarily consist of trademarks, copyrights, patents and domain names and the Company is required to comply with regulations on intellectual property.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own 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 rights 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 shall be enjoyed by the copyright owners.

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations.

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Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and 10 years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Domain Names

The Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the MIIT in 2017, which adopts "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Group shall comply with regulations on employment and social welfare to recruit employees, including entering fixed-term employment contracts with employers pursuant to the Labor Law and the Labor Contract Law. As such, it makes social insurance and housing provident fund contributions for employees according to the Social Insurance Law and the Administration of Housing Provident Funds.

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), or the Labor Contract Law and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

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In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as “dispatched workers”. Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》), or the Social Insurance Law, issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees’ housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people’s court will be applied.

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In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

REGULATIONS ON FOREIGN EXCHANGE

As certain of the Company's shareholders are foreign shareholders, the Company shall comply with regulations on foreign exchange to converting, [REDACTED] and trading its domestic as H shares on the Hong Kong Stock Exchange.

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

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In October 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 may be still subject to future changes given they are newly issued regulations.

Regulations relating to Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the SAFE Circular 7, promulgated by SAFE in February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

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.

REGULATIONS ON TAXATION

As PRC domestic enterprises, the Group shall comply with regulations on taxation.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人

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民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the VAT.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the VAT rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Regulations on Dividend Distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law (《中華人民共和國公司法》), promulgated in 1993 and latest amended in 2018, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

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The Enterprise Income Tax Law provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Double Tax Avoidance Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice of the State Administration of Taxation on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), issued by SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) issued by SAT on February 3, 2018 and took effect on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

REGULATIONS ON OVERSEAS LISTINGS

On February 17, 2023, the China Securities Regulatory Commission, or the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("Trial Measures") together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the "New Regulations on Filing"). Under New Regulations on Filing, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

REGULATORY OVERVIEW

The New Regulations on Filing provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and 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 shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《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》), or the Provision on Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

The Company, as a PRC domestic company, shall comply with the abovementioned New Regulations on Filing and relevant provisions to offer and list securities on the Hong Kong Stock Exchange.

REGULATIONS ON THE H SHARE “FULL CIRCULATION”

The Company shall comply with regulations on the H share “full circulation” to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange.

REGULATORY OVERVIEW

Pursuant to the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》)(中國證監會公告[2019]22號)), or the Guidelines for the “Full Circulation”, promulgated by the CSRC on November 14, 2019 and effective from the same date, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Measures for Implementation of H-share “Full Circulation” Business (《H股「全流通」業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation business”, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

In order to fully promote the reform of H-shares “Full Circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈〈H股“全流通”業務指南〉的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於〈境內企業境外發行證券和上市管理試行辦法〉的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out “full circulation” arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.