FANGDA PARTNERS
方達律師事務所

# Rewiring & Reshaping

2025-2026

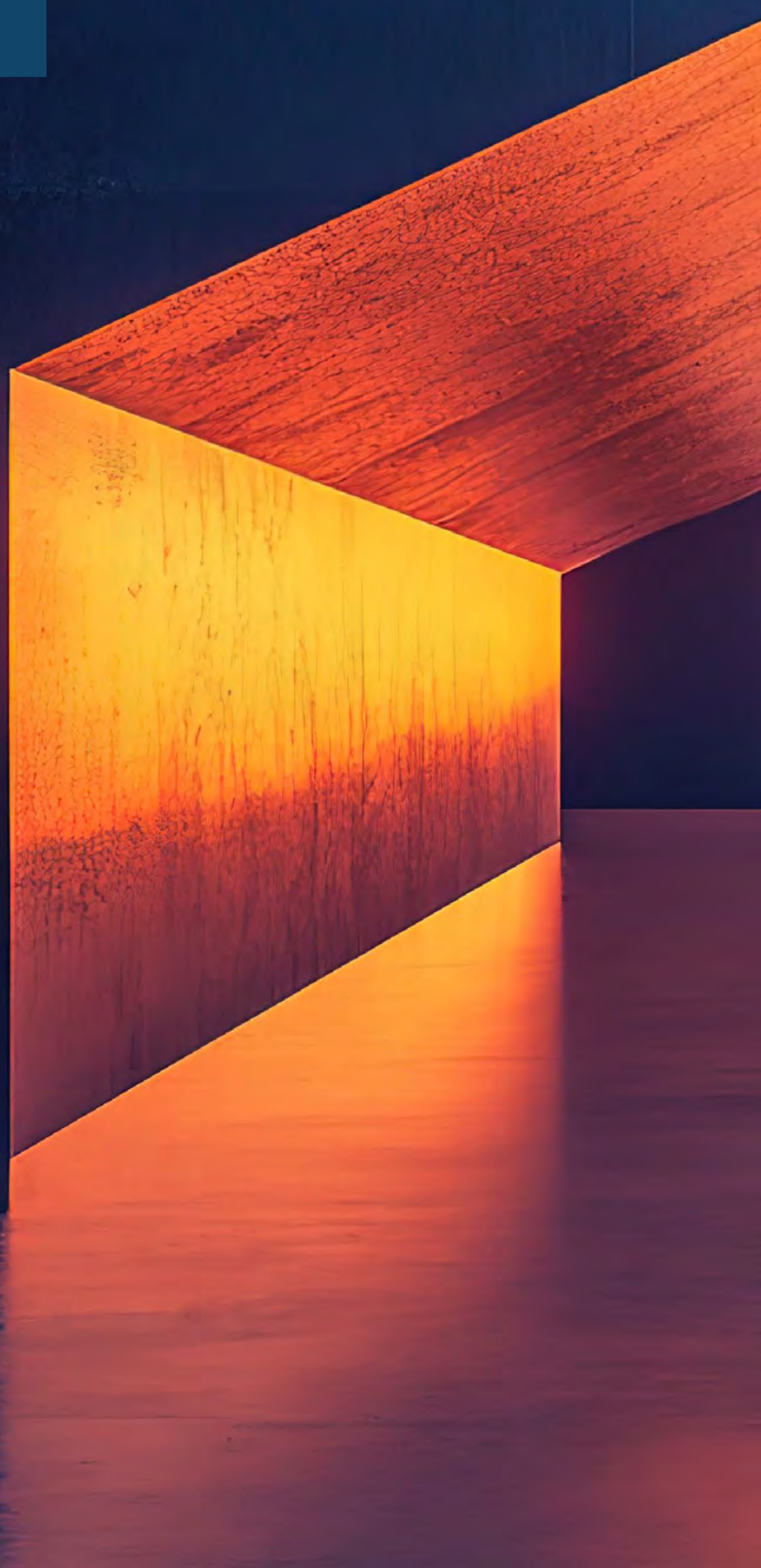
The Fangda View
Insights and
Foresights

# READING THE LANDSCAPE

As the global economic and industrial landscape continues to evolve, companies are operating in an increasingly complex environment. The legal challenges our clients face are increasingly shaped by the intricate interplay of multiple variables, including capital cycles, technological iteration, industrial transformation, geopolitics and sustainable development. Simple answers can no longer be found by following established paths. This represents not only a profound challenge for corporate strategic decision-making, but also a defining question that the legal profession must confront. It is against this backdrop that we have chosen "Reshaping and Reconstructing" as the theme for this year's annual review — both as a response to external structural changes and as an active redefinition of our own positioning and capabilities.

Guided by this theme, Fangda has always placed clients' needs at the heart of our service, proactively anticipating the direction of market while continuously and systematically upgrading our service capabilities. We continue to strengthen our traditional areas of excellence, while at the same time expanding into emerging and frontier sectors such as artificial intelligence, life sciences and new energy vehicles. With a forward-looking perspective, a more integrated knowledge base and an approach more closely aligned with commercial realities, we strive to respond to the evolving needs of our clients. We firmly believe that the value of legal services lies not only in applying existing rules, but also in helping clients identify opportunities, manage risks and build solid support for strategic decision-making amid change.

Beyond commercial value, Fangda has consistently embedded sustainable development and social responsibility into our strategy. In 2025, we officially obtained validation from the Science Based Targets initiative (SBTi), becoming the first Chinese law firm to receive such validation. At the same time, we have continued to invest in public-interest initiatives focused on educational opportunity and youth development, contributing to society with the professional commitment and human warmth of legal practitioners, and fulfilling our mission and responsibility as part of the broader legal community.



# FIRM AWARDS & RANKINGS

Bloomberg | Mergermarket An Acuris company

2017-2025 topped the Greater China M&A league tables by deal count for 9 consecutive years
*Bloomberg Greater China M&A Legal Advisory Rankings*

Greater China M&A league table (By deal count)
No. 1, 2025
*Mergermarket*

Chambers RANKED IN Greater China Region 2026 | Legal500

Finance Law Firm of the Year
International and Cross-Border Capabilities Law Firm of the Year
TMT Law Firm of the Year
*Chambers & Partners, Greater China Region (PRC Firms) 2026*

Deal of the Year - Corporate & M&A PRC Firms
Banking and Finance (PRC Firms) Law Firm of the Year
*Legal 500, China Awards 2025*

Asian Legal Business

SE Asia Practice, PRC Law Firm of the Year
*ALB, SE Asia Law Awards 2026*

Technology, Media and Telecommunications Law Firm of the Year
M&A Deal of the Year - Premium
ESG and Sustainability Law Firm of the Year
*ALB, China Law Awards 2026*

CBLJ 商法

Golden league
Legaltech Pioneers
21 Practice & Sector Awards
*China Business Law Awards 2026*

CHINA LAW & PRACTICE

GRAND PRIX AWARDS: China Firm of the Year
Intellectual Property Firm of the Year (China)
Private Equity & Venture Capital Firm of the Year (China)
Trade Firm of the Year (China)
*China Law & Practice Awards 2025*

IFLR

National Law Firm of the Year: China
Restructuring Firm of the Year: China
*IFLR1000 Asia-Pacific Awards, 2025*

Firm of the year: Beijing, 2024
Firm of the year: Shanghai, (2024-2025, 2022-2023)
*IFLR1000 China Awards*

GCR GIR

Global Competition Review 100, 2025

Global Investigations Review 100, 2025

LEXOLOGY Legal500

Lexology 100: Data, 2026

China Featured Law Firms
*Legal 500, Green Guide, 2025*

# TECHNOLOGY WAVE

## AI, EMBODIED INTELLIGENCE AND ROBOTICS

## Technology Grounded in Reality, Capital Evolving with Sophistication

### The LLM Industry

Chinese AI large-model enterprises are crucially transitioning from a technological competition phase to a commercial deployment phase.

On the financing front, the sector continues to enjoy strong momentum, though capital is increasingly concentrating among market leaders. Investments are primarily directed toward large-model capabilities and the "AI brain" for embodied intelligence, with industrial capital and government-backed funds dominating the landscape.

Regarding public listings, most large-model companies remain in a high-investment stage with immature revenue models; consequently, their IPO timelines lag significantly behind those of robotics companies, and they continue to operate within a financing-driven cycle.

On the development front, the industry is shifting from the "battle of a hundred models" to competition over application scenarios. Key technical directions include multimodal models, AI agents, and vertical specific models, while B2B business models are being actively explored.

At the same time, the industry faces multiple challenges, including insufficient commercialisation capabilities, model homogenisation, high computing costs, compliance pressures around training data, and misalignment between valuation and actual profitability.

Overall, the large-model industry is moving from a "capital and technology driven" phase toward a "commercial validation and industry consolidation" phase, with further concentration expected.

### The Robotics Industry

Over the past year, China's robotics industry has exhibited three key characteristics: "capital surge, technological breakthroughs, and accelerated commercial deployment."

On the financing front, the industry raised approximately CNY 57 billion in 2025, representing significant year on year growth. This high investment momentum continued into 2026.

Capital has been heavily concentrated on humanoid robots and embodied intelligence, with government funds, industrial capital, and technology giants collectively driving capital inflows.

On the application front, deployment has evolved from early-adopter domains—industrial manufacturing (first to achieve commercialization) and warehouse logistics (where Autonomous Mobile Robots (AMRs) saw explosive growth)—to rapidly expanding areas such as healthcare and rehabilitation (fastest-growing segment), and further into nascent, exploratory fields including home and service robots.

On the industry development front, 2025 marked the "first mass-production year" for humanoid robots in China; 2026 is now the pivotal phase for large-scale real-world implementation. China has become the world's largest robotics market, with "AI + Robotics" (i.e., embodied intelligence) serving as the core technological backbone. Applications are broadening across logistics, healthcare, and service-oriented sectors.

On the public listing front, an IPO wave is accelerating across the sector. Over 30 robotics companies advanced toward listing in 2025, with Hong Kong's stock exchange serving as the primary listing venue due to its regulatory advantages. Breakthroughs have also emerged on China's A-share market: Unitree Technology's Sci-Tech Innovation Board (STAR Market) IPO application was accepted and successfully passed the review meeting, marking the formal entry of humanoid robotics into the core investment arena of China's capital markets.

In addition, world models, functioning as the "brain" of robots, have attracted substantial investment, while data providers, recognized as a critical link in the robotics value chain, are also gaining strong investor interest.

Overall, the robotics industry is transitioning from technical validation to commercialisation and industrialization. A competitive landscape characterized by market concentration among market leaders and capital-driven dynamics is gradually taking shape.

## Global AI Regulation

From a global perspective, AI regulation transitioned from the "principles based legislation" phase to an "intensive enforcement" phase between 2025 and 2026. The EU AI Act is being implemented in stages, establishing a risk based regulatory framework and bringing general purpose AI models under its regulatory oversight. China has formed an integrated "data algorithm content" regulatory framework, with the algorithm management measures and content labeling rules for generative AI at its core. The United States, by contrast, relies primarily on executive orders, state level legislation, and enforcement under existing laws, exhibiting a pattern of "weak legislation, strong enforcement." On the enforcement front, regulatory scrutiny has intensified significantly across jurisdictions, with a focus on generative AI content labelling, training data compliance, algorithmic transparency, and intellectual property issues. Oversight has also expanded from launch phase review to comprehensive, end to end regulation covering development, training, and deployment. Overall, AI governance is shifting from reactive correction to proactive prevention and technology driven oversight, with compliance requirements becoming more granular and verifiable. Enterprises must therefore build systematic AI governance frameworks to navigate multijurisdictional and multitiered regulatory environments.

In the last year, China's AI regulation entered a phase of systematisation and intensive enforcement. On the regulatory front, China has progressively formed an integrated "data algorithm content" regulatory framework that builds upon the Regulations on the Administration of Network Data Security, the generative AI governance regime, and the algorithm and large-model filing mechanisms. In particular, the implementation of the Measures for the Labelling of AI Generated Synthetic Content has established a mandatory labelling regime for AI generated content, shifting compliance from principle based requirements to technically verifiable standards. Concurrently, new national standards have been promulgated, refining the specifications for training data, model security, and annotation practices, thereby rendering regulation more effective.

On the enforcement front, regulatory action has become markedly stricter in targeting unregistered launches, improper data usage, and unlabelled AI content and in imposing enforcement measures that include removal and rectification orders. Enforcement approaches have also evolved from point based reviews to full chain oversight covering data collection, model training, application deployment, and content output, with an emphasis on technology based compliance and traceability. Overall, China's AI regulation is shifting from a development oriented approach to one that "balances development and security." Enterprises therefore must establish systematic, engineering oriented AI compliance systems to address the increasingly stringent regulatory environment.

In terms of practical implementation, among foreign-invested enterprises, only certain automotive OEMs (e.g., Mercedes-Benz, Volvo, Tesla) have successfully completed large-model registration for their in-vehicle generative AI services. Large-model filing or registration remains challenging for most other applications involving foreign entities. The feasibility of large-model filing or registration depends on multiple factors—including data provenance, corpus compliance, deployment architecture, model selection, and algorithmic design.

We have represented numerous multinational enterprises in procuring and deploying large-model products from domestic model providers, making full use of domestic computing resources. In addition, we have assisted many multinational and domestic enterprises in completing large-model online registration, model filing, and algorithm registration. We have supported them in achieving full chain compliance with AI related rules.

We have deep experience in the AI and robotics, providing legal services in relation to financing, investment, listings and industrial operations. We advise a wide range of investment institutions and embodied intelligence companies, and are also handling A-share IPO work for companies in the PCB + AI sector. Our dispute resolution practice covers AI algorithm patent infringement cases, AIGC copyright infringement review and compliance guidance. We have also handled litigation involving the right of communication through information networks and unfair competition disputes arising from large model-native applications, and have advised on a number of cutting-edge legal issues in the AI space.

# INDUSTRIAL UPGRADING

## NEVs

### Driving the Future: Led by Innovation, Anchored by Regulation

With further global NEV penetration, weaker players are being weeded out of the market by heightened price competition and rapid technology upgrades. While from a long-term perspective, intelligent user experience, integration with the energy ecosystem, and global expansion have become the watchwords for the development of NEV companies and their supply chain partners. Amid these dynamics, capital markets are growing more fragmented, cross-border compliance hurdles are proliferating, and AI regulation and patent disputes are increasingly defining the global operational landscape for enterprises.

**Capital Divergence and Industry Reshuffling**

Leading enterprises continue to attract strong capital interest—especially those with advanced intelligent user experience capabilities, such as CiDi and Seyond. For example, CiDi and Seyond have demonstrated outstanding performance in both IPOs and equity financing. As Chinese counsel acting for the joint sponsors, we assisted CiDi in its successful listing on the Main Board of the Hong Kong Stock Exchange—the first commercial-vehicle-focused intelligent driving company to list in Hong Kong. we also assisted LiDAR industry leader Hesai Technology in successfully listing on the Hong Kong Stock Exchange with a dual primary listing. We also observed that many NEV companies are encountering financing difficulties, declining financial performance, or even bankruptcy and restructuring. Against this backdrop of "scale-driven substitution and structural reshuffling," SMEs face significantly higher technical and commercial validation thresholds.

**Overseas Expansion and Compliance Challenges**

Many Chinese NEV companies are targeting overseas markets, both for consumers and for supply chains. For example, Chinese NEV export volume continues to lead the global market. The industry's overseas expansion model has shifted from simple complete vehicle exports to systematic export of technology, brands, supply chains and industrial standards. However, increasing global trade friction has brought growing regulatory challenges to Chinese NEV and supply chain enterprises. Moreover, U.S. export controls against China continue to escalate, covering advanced manufacturing equipment, critical materials, and even certain software tools, limiting Chinese firms' ability to access high-end technology for overseas production lines and affecting product upgrades and global competitiveness. Broad-based economic sanctions imposed by the U.S. and EU on specific markets—such as Russia—expose Chinese companies to heightened sanction risks when expanding internationally.

Meanwhile, increased scrutiny by Western countries on issues such as "military end-use" and "forced labor" has raised the bar for supply chain due diligence. Companies now face increasingly complex compliance requirements across procurement, raw material

traceability, and customer screening. Geopolitical tensions have led to stricter review and export restrictions in critical areas such as EV batteries and rare earth materials, adding further uncertainty and compliance costs to global expansion efforts. Balancing compliance with supply chain resilience and market responsiveness has become a key challenge for NEV companies navigating international markets.

**AI Oversight and Patent Disputes**

Alongside major breakthroughs in the field of artificial intelligence—particularly in large language models and embodied intelligence—user expectations for intelligent capabilities are steadily rising. These rising user expectations have generated greater regulatory attention around AI in the NEV sector, especially related to data governance. Policy emphasis has shifted from mere market expansion to a holistic regulatory framework centered on quality and safety, data trustworthiness, and green recycling. For example, China's first *Regulation on Autonomous Vehicles* came into effect in April 2025, clarifying liability standards for Level 3+ (essentially very serious) accidents. Furthermore, leveraging the commonalities in core technologies and product applications, many automotive supply chain companies are combining their inherent advantages with emerging sectors such as embodied intelligence, which further enhances their product vision. For example, we advised XPeng Motors on its strategic cooperation with Volkswagen Group regarding E/E (electrical/electronic) architecture, marking deeper integration between traditional automakers and intelligent system innovators. Chinese NEV manufacturers and supply chain players are facing various risks related to cross-border data transfers, compelled disclosures (e.g. due to foreign litigation or EU FSR investigations), and technology import/export restrictions. In response, regulators are strengthening oversight of outbound technology and related data in overseas expansion scenarios through mechanisms such as important data filing requirements and the filing/approval processes for restricted technology import and export.

Major automobile companies around the world are engaged in licensing negotiations for license of standard-essential patents (SEPs) relating to cellular networks, wireless connectivity, and in-vehicle multimedia systems used in connected vehicles. In the automotive SEP domain, multiple SEP-related lawsuits have been filed in Europe, the U.S., and Japan. In response to these challenges, the Avanci vehicle platform brings together multiple SEP holders to offer a one-stop patent licensing and solution for cellular communication technologies essential to connected vehicles. So far, over 50 automobile companies from Europe, the U.S., and Japan, including Mercedes-Benz, BMW, Ford, General Motors, and Toyota, have become licensees of the Avanci platform. Notably, no Chinese automobile company has yet entered into a licensing agreement with Avanci. Starting in February 2025, SEP holders filed patent infringement lawsuits against BYD in German courts and the Unified Patent Court in Europe, seeking injunctions in several European countries. This marks the first time a Chinese automobile company has faced SEP litigation in the automotive sector. Other Chinese automobile companies are likely to face similar licensing demands and litigation threats in the future. Leveraging our extensive experience in SEP licensing involving smartphones, we actively collaborate with automotive industry associations to shape fair and transparent licensing frameworks; represent clients in SEP licensing negotiations; and provide comprehensive support in defending against SEP litigation.

# BREAKTHROUGH FRONTIERS

## CONSUMPTION AND VALUE REINVENTION

## Global Expansion and Industry Upgrading

From the second half of 2025 onwards, China has continued to introduce further changes to the regulations covering the review and approval of innovative drugs and medical devices. In May 2026, the National Medical Products Administration (NMPA) formally issued the *Implementation Measures for the Protection of Pharmaceutical Trial Data*, granting eligible drugs up to six years of data protection and officially establishing China's pharmaceutical data exclusivity regime.

At the same time, regulators have introduced a series of measures supporting the localization of imported drugs and the pilot implementation of divided manufacturing for biologics (also known as segmented or non-end-to-end production). These developments are expected to facilitate industrial upgrading and strengthen the flexibility of pharmaceutical supply chains.

## Continued Global Expansion of Chinese Pharmaceutical Companies

Innovative Chinese pharmaceutical companies continue to expand their global footprint. Biotech companies generally favor traditional license-out transactions to monetize R&D achievements through upfront and milestone payments, while larger pharmaceutical companies with diversified pipelines are increasingly exploring innovative structures such as the NewCo model.

### Deal Highlights

翰森制药 HANSOH PHARMA

Advised **Hansoh Pharmaceutical** on its collaboration with Tortugas Neuroscience, involving the overseas development and commercialization of multiple CNS drug candidates.

QYuns 荃信生物

Advised **Qyuns Therapeutics** on its global licensing transaction with Roche for QX031N, including an upfront payment of USD 75 million and potential milestone payments of up to USD 995 million.

Zelgen 泽璟制药

Advised **Zelgen Biopharmaceuticals** on its strategic collaboration and option-to-license agreement with AbbVie for ZG006, including a USD 100 million upfront payment and potential milestone payments exceeding USD1 billion.

# BRAND COMPETITION

## VALUE RECONFIGURATION IN THE CONSUMER MARKET

**Consumers Benefit from Increased Regulation**

During the year, China's regulatory framework governing the consumer sector continued to evolve and mature, demonstrating a clear policy direction of balancing regulation with support. On the regulatory front, authorities strengthened baseline requirements relating to consumer safety, data compliance, and fair competition, while introducing a series of detailed rules tailored to the consumer business models. At the same time, targeted support was provided for hard-tech innovation, green consumption, and outbound consumer brands that align with national strategic priorities.

These developments were reflected in the clarification of compliance requirements for areas such as AI-powered consumer hardware and cross-border consumption, enhanced oversight of brand marketing practices and user data utilization, and efforts to curb false advertising and unfair competition. Meanwhile, supportive policies were introduced to encourage innovation in the consumer sector, promote green, smart, and quality consumption, facilitate the development of AI consumer hardware and the international expansion of the consumer brands, and drive value creation across the broader consumer landscape.

From a market perspective, the consumer sector is undergoing a profound transformation - from “scale expansion” to “value creation and reinvention”, with three key trends standing out.

**First**, AI technologies are beginning to fundamentally reshape the underlying logic of the consumer sector. AI-powered hardware is rapidly penetrating consumer scenarios, with smart wearables, AI-enabled retail and shopping terminals, and smart home products emerging as key growth drivers. Competition between brands is evolving from a focus on standalone products to ecosystem-based competition centered on the integration of hardware and services. This shift is prompting companies to increase investment in technological innovation and compliance capabilities, while the boundary between consumer and technology sectors continues to blur.

**Second**, Chinese VC and PE investors have become much more active in overseas consumer-related investments. Their focus has expanded to include acquisitions of high-quality international consumer brands, cross-border consumer supply chain integration, and localized overseas operations. These efforts are accelerating both the global expansion of Chinese consumer brands and the introduction of premium international resources into the Chinese market.

**Third**, value creation in the consumer sector is increasingly extending into supply chains, health and wellness, and functional products. Market interest in areas such as food technology, animal nutrition, and functional ingredients has risen markedly. Large-scale cross-border M&A and industry consolidation transactions remain active, reflecting the continued convergence of global consumer and life sciences value chains.

Based on our practical experience advising clients in these areas, these trends have directly driven growing demand for legal services relating to AI consumer hardware compliance, cross-border transaction structuring in the consumer sector, and overseas investment compliance. They also reinforce our assessment of, and outlook for, the future direction of the industry.

## Deal Highlights

KKR

Assisted **KKR** acquired majority stake in Dayao.

百胜 YumChina

Advises **Yum China** on its USD 1.2 Billion acquisition of the ownership of the Pizza Hut brand in mainland China.

CVC

Advised **CVC** on EUR 2.2 Billion carve-out acquisition of dsm-firmenich's animal nutrition & health business.

HONGSHAN 红杉中国

Advised **Hongshan** on its investment in Qingxian Intelligence, a new AI hardware brand for ergonomic chairs.

# GLOBAL EXPANSION

## REDEFINING THE INVESTMENT LANDSCAPE

### Hong Kong Repositioned: A New Global Gateway for Expansion

Since 2025, Hong Kong's economy has shown encouraging signs of recovery and growth across multiple sectors. Following the establishment of the Office for Attracting Strategic Enterprises, the Hong Kong government has intensified efforts to attract companies in life and health technology, artificial intelligence, advanced manufacturing and new energy to establish regional headquarters and R&D centers in the city. Preferential policies on land, tax and financing have been introduced, alongside one-stop support services covering visas, housing and education for talent relocation.

To date, more than 120 Mainland Chinese strategic enterprises have established operations in Hong Kong, and are expected to bring approximately HKD73 billion in investment over the coming years. These include companies such as Hygon Information Technology, Ant Digital Technologies, Li Auto and WeRide.

Meanwhile, Mainland Chinese consumer and lifestyle service companies have continued to expand their presence in Hong Kong. Some are attracted by the city's relatively high-margin market environment, while others aim to enhance efficiency in local market segments through more advanced technologies and business models developed in Mainland China. For many, Hong Kong also serves as a gateway for international expansion.

In that context of such trend, the past year has seen several notable investments and acquisitions. Major Mainland e-commerce platforms have acquired local supermarket chains to strengthen offline retail and logistics capabilities, including China Merchants Group's acquisition of Best Mart 360 and JD.com's acquisition of Kai Bo Supermarket. Mainland fintech companies have also acquired fully licensed local brokerages to obtain Hong Kong market access and established customer bases, such as Ant Group's acquisition of Bright Smart Securities. Similar investments are expected to continue increasing in the coming years.

### Southeast Asia in High Gear: A New Engine for Regional Growth

With its rapidly growing digital economies, large and young population, and geographic proximity, Southeast Asia remains one of the top destinations for Chinese enterprises going global. Opportunities abound in e-commerce, fintech and consumer sectors, supported by relatively business-friendly regulatory environments. New energy and digital infrastructure have become the two most active areas of Chinese investment in the region over the past two years.

In **new energy**, Thailand has developed into a key offshore manufacturing base for Chinese electric-vehicle makers: companies led by BYD have set up plants in Rayong and elsewhere, using the country as a springboard to the ASEAN and even European markets. Indonesia, leveraging its world-leading nickel reserves, has attracted players such as CATL to build integrated supply chains spanning mining, smelting, battery production and recycling.

In **digital infrastructure**, Johor in Malaysia has absorbed spillover demand from Singapore to emerge rapidly as one of Southeast Asia's fastest-growing data-center clusters, with the Johor-Singapore Special Economic Zone established in early 2025 further strengthening cross-border industrial coordination. Vietnam, meanwhile, continues to benefit from the relocation of global supply chains and manufacturing, becoming an important base for sectors such as electronics.

As the regional hub, Singapore - with its stable rule of law, sophisticated financial and capital markets, and strategic location bridging East and West - continues to serve as the regional headquarters, financing and dispute resolution center from which Chinese enterprises extend across Southeast Asia.

That said, regulations differ from country to country across ASEAN, and Chinese companies should pay particular attention to requirements on data localization, foreign investment access and environmental compliance, so as to achieve steady and sustainable expansion while capturing these opportunities.

## Expanding into Latin America: A New Anchor for Resource Cooperation

Latin America stands as a crucial component in China's global expansion due to its abundant resources and rapidly growing emerging markets. In 2025/6, the region's digital economy continued to grow, with Chinese cross-border e-commerce platforms expanding rapidly in Brazil, Mexico and beyond.

However, legal systems vary widely across the region, and occasional political instability can pose risks. Chinese firms must tailor compliance frameworks for each country and remain vigilant against potential tariff protections and intellectual property issues.

## Deepening Engagement in Japan: A New Compass for Prudent Expansion

The Japanese market continues to attract growing interest from Chinese companies pursuing overseas expansion, particularly in supply chain restructuring, and regionalization of industrial chains. In 2024, China's outbound direct investment into Japan across all industries reached USD 840 million, representing a year-on-year increase of 82%. Based on market observations and transaction experience, demand for and activity levels of Japan-related investments have continued to rise in 2025. Beyond traditional financial investments, greenfield projects and M&A transactions focused on supply chain localization and strategic resource integration have also gained increasing focus.

At the same time, Japan's foreign investment regulatory regime has undergone several changes in recent years, leading to generally stricter regulatory requirements and additional challenges when it comes to executing deals. Under Japan's review framework, which generally adopts a post-closing reporting system while requiring prior notification for designated sectors, the authorities have expanded the scope of designated industries and narrowed the applicability of filing exemptions. Although the scope of designated sectors was not added to in 2025, recent amendments have made it more difficult for certain investments to qualify for exemption treatment. In particular, investors with specific governmental affiliations or obligations to provide information to foreign governments now face significantly stricter limitations in relying on such exemptions.

The challenges faced by Chinese investors stem not only from Japan's legal and regulatory framework itself, but also from the uncertainty inherent in foreign investment review practice. In particular, amid heightened focus on supply chain security and geopolitical considerations, investments involving sensitive industries, critical technologies, or Chinese state-owned capital backgrounds often attract closer regulatory scrutiny, significantly increasing transaction complexity and the unpredictability of deal timelines.

Overall, the past year has seen opportunities and regulatory challenges co-exist in the Japanese market. For Chinese investors seeking to establish or expand their market presence in Japan, early-stage coordination of regulatory requirements, transaction structuring, and execution timelines is becoming an increasingly critical factor in achieving successful deal completion.

# SHAPING THE MOMENT

Since our founding, Fangda has consistently pursued a path that combines deep specialization with an integrated firmwide platform. Today, we have more than 800 lawyers across seven offices, covering over 20 specialized practice areas. Working seamlessly across disciplines and jurisdictions, our lawyers draw on their legal expertise, understanding of market developments and insight into industry dynamics to help clients navigate an increasingly volatile business environment with confidence and achieve their strategic objectives.

In the following sections, we organize our review by practice area, outlining key regulatory developments and market trends over the past year, while also sharing selected landmark transactions and representative cases to provide useful reference for understanding the evolving industry landscape.

# M&A AND PE
## Transactions, Investments and Growth

### Regulatory Landscape and Market Trends

In 2025, there was a notable resurgence of Hong Kong's capital markets, with stronger linkages emerging between the primary and secondary markets. Fueled by the boom in artificial intelligence, the early-stage investment market gained significant momentum. Financing activity in AI-and-robotics-related projects increased markedly, with both deal sizes and valuations growing rapidly.

At the same time, industrial capital continued to strengthen its role as a key source of deal flow. Listed companies, supported by attractive valuation opportunities and the availability of capital markets tools, including share-based consideration, demonstrated greater willingness and capacity to pursue strategic acquisitions.

Meanwhile, against the backdrop of intensifying competition and extended exit cycles in the China market, financial investors - particularly international private equity funds - showed increasing demand for liquidity options, further driving M&A and secondary share transfer transactions. However, against this, the number of new transactions by international private equity funds declined appreciably.

Evolving market dynamics have begun to reshape corporate capital markets strategies. Market discussions around dismantling red-chip structures for H-share listings have gained further momentum. Notably, recent regulatory speculation, has driven a number of companies to expedite the unwinding of their red-chip structures in order to tap into Hong Kong's capital markets more swiftly.

In parallel, geopolitical tensions, international sanctions, and global supply chain reconfiguration have contributed to a rise in transactions involving business divestitures, corporate restructurings, and strategic industrial upgrades. These transactions often involve complex deal structures, cross-border regulatory considerations, and significant industry integration challenges, and are increasingly becoming an important feature of both cross-border and domestic industrial transformation.

Leveraging our extensive experience in sophisticated transaction structuring, cross-border regulatory matters, and industrial integration, Fangda continues to provide clients with practical, efficient, and reliable legal support on these very complex transactions.

### Deal Highlights

MBK PARTNERS

Assisted **MBK Partners** in selling 100% shares in Siyanli Industrial to Beauty Farm.

闻泰科技 WINGTECH

Represented **Wingtech** in selling its ODM Business to Luxshare.

博裕資本 BOYU CAPITAL

Assisted **Boyu Capital** in privatizing Jinke Smart Services Group Co., Ltd (9666. HK). The total consideration for this transaction exceeds HKD5 billion.

# DOMESTIC LISTINGS AND CAPITAL MARKETS

## Regulatory Landscape and Market Trends

### Equity: Capital Markets Reforms Unleash Productive Forces

Strengthening China's capital markets by refining and improving the investment and financing investment and financing mechanisms has been the central theme of domestic capital markets over the past year. Key developments include:

**(1) Strengthening listed company regulation**. On December 5, 2025, the China Securities Regulatory Commission (CSRC) released the *Regulations on the Supervision and Administration of Listed Companies (Draft for Public Consultation)*, the first dedicated administrative regulation governing listed companies in China. The draft aims to enhance corporate governance, strengthen information disclosure oversight, and better protect investor interests.

**(2) Supporting new "quality productive forces"**. The CSRC introduced and implemented a series of reform measures, including the *Opinions on Establishing the STAR Market Growth Tier and Enhancing Institutional Inclusiveness* and *Adaptability and the Opinions on Deepening ChiNext Reform to Better Serve the Development of New Quality Productive Forces*. These initiatives seek to improve the inclusiveness and adaptability of the capital markets framework, remove financing bottlenecks for high-quality technology-driven and growth-oriented enterprises, and reopen listing pathways for pre-profit companies, all with the aim of spurring overall productivity.

**(3) Facilitating M&A and Restructuring**. The CSRC implemented in full the "Six Measures for M&A Reform" and the revised *Administrative Measures for the Material Asset Restructuring of Listed Companies*. New mechanisms, such as phased share-based consideration payments, have significantly increased regulatory flexibility for technology-focused transactions and further opened up the markets.

**(4) Optimizing the investment ecosystem**. Regulators introduced a series of policies, including the *Implementation Plan for Promoting the Entry of Medium- and Long-Term Capital into the Market* and the *Action Plan for High-Quality Development of Public Funds*. These measures are aimed at encouraging greater and more stable participation by insurance funds in the A-share market, gradually increasing equity allocations by the National Social Security Fund, expanding the scale and proportion of equity-oriented mutual funds, promoting share repurchases by listed companies, and supporting multiple dividend distributions within a year. All of these measures are intended to enhance the overall investment environment.

## Deal Highlights

dynamic

Assisted PCB company **Dynamic** in successfully listing on the Main Board of the Shanghai Stock Exchange.

视涯科技 SEEYA TECHNOLOGY

Advised **SeeYA Technology** on its successful STAR Market listing.

优必选 UBTECH

Advises **UBTECH** on Acquisition of Controlling Stake in Fenglong.

ASMPT

Assists Global Semiconductor Leader **ASMPT** in the sale of its semiconductor materials business to an A-share listed company.

## Debt: Innovation and Open-up

China's domestic capital markets continue to expand, driven by the dual momentum of science and technology innovation bonds ("Sci-Tech Bonds") and Panda Bonds.

Following the launch of Sci-Tech Bonds by the People's Bank of China and the China Securities Regulatory Commission in May 2025, this product has become one of the fastest-growing segments of China's credit bond market. Within a year, more than 1,000 issuers issued CNY 2.6 trillion of Sci-Tech Bonds in aggregate, significantly increasing the participation of technology-focused private enterprises in the domestic debt capital market, while credit enhancement techniques have continued to develop.

China's bond market has become increasingly accessible to international issuers. Panda Bond issuance has remained robust, with issuance volume further rising in 2026. In the first quarter alone, the total Panda Bond issuance amount reached CNY 88.235 billion, setting a new record for quarterly issuance volume. Issuers are now more diversified, from a wider jurisdiction spectrum spanning in Asia, Europe, North America, South America, and Africa and including sovereign countries, sovereign wealth funds, large financial institutions, and multinational corporations.

The Northbound Swap Connect programme has been expanded by including interest rate swap contracts using the Loan Prime Rate (LPR) as the reference rate, while the daily net trading quota has been substantially increased to meet the diverse risk management needs of overseas investors. Recently, Qualified Foreign Institutional Investors (QFIIs) have been permitted to participate in China's government bond futures market for hedging purposes, further supporting the development of China's domestic government bond market.

## ABS: Diversified Growth Driven by Innovation

2025 has a modest year-on-year increase in issuance volume across China's asset securitization market, which continued to demonstrate innovation and diversification. In traditional securitization sectors, finance lease receivables remained the leading underlying asset class by issuance volume, while products backed by bank and online lending assets, supply chain assets, and accounts receivable maintained steady issuance levels. The launch of innovative products backed by data assets and data infrastructure underscored the capital market's growing role in supporting the development of digital finance.

In the REITs sector, following the transition of the public REITs market into a new phase of normalized issuance in 2024, regulators introduced a series of supportive measures aimed at expanding eligible asset classes, streamlining follow-on offering application procedures, and optimizing the review process. A dual-engine growth model driven by both initial offerings and follow-on issuances has now largely taken shape. At the end of 2025, regulators issued new rules governing commercial real estate REITs, further broadening the scope of eligible assets and market participants and facilitating an upgrade of the market structure. Meanwhile, issuance volume in the interbank REITs market continued to grow steadily, reflecting the gradual formation of a multi-tiered REITs ecosystem in China.

### Deal Highlights

Advised the **sovereign wealth fund of Kazakhstan, "Samruk-Kazyna" JSC**, on its issuance of the first-ever Panda Bond by a sovereign wealth fund, the first Panda Bond from Central Asia, and the first Panda Bond listed on the Astana International Exchange.

Advised the **Republic of Slovenia**, the **Republic of Kazakhstan**, and the **Islamic Republic of Pakistan** on their sovereign Panda Bond issuances.

Advised **Barclays Bank, BNP Paribas S.A., Deutsche Bank, United Overseas Bank**, and **Morgan Stanley** on their Panda Bond issuances.

Represented **Bank of Ningbo** in offering CNY 16 billion undated capital bonds.

### Deal Highlights

Advised **Prologis** on the establishment of the China AMC–Prologis Warehouse and Logistics Closed-End Infrastructure Securities Investment Fund.

Advised **China International Capital Corporation Limited** (CICC), as fund manager, on the establishment of the CICC Vipshop Closed-End Commercial Real Estate Securities Investment Fund.

Advised **Pacific Asset Management Co., Ltd.**, as manager, on the establishment of the CPIC Asset–Trina Solar Distributed PV Carbon-Neutral Green Holding-Type Real Estate Asset-Backed Special Plan (Rural Revitalization).

Advised **Huatai Asset Management Co., Ltd.**, as trustee, on the establishment of the HT–Litai No. 1 Asset-Backed Securities Plan.

# GLOBAL FINANCING AND OFFSHORE DEBT ISSUANCE

Issuance Accelerates, Market Momentum Builds

## Hong Kong Regains Top Position for IPOs

### Regulatory Landscape and Market Trends

Hong Kong's capital markets staged a strong recovery in 2025 and 2026, driven by a significant increase in IPO activity and improved secondary market liquidity. Around 120 companies listed on the Hong Kong Stock Exchange (HKEX) in 2025, helping Hong Kong regain its position as the world's leading IPO fundraising venue. More than 500 applicants are currently in the listing pipeline. This resurgence has been supported by continued policy support from the PRC government, HKEX regulatory reforms and healthier market liquidity, attracting increasing numbers of technology and biotech companies, A+H issuers and other large-cap businesses to pursue Hong Kong listings.

Looking ahead, Hong Kong's capital markets are expected to remain active in 2026, with technology and biotech companies continuing to lead new listings. Strong secondary market performance and growing investor participation are expected to support both IPOs and follow-on fundraising activities.

Our HKECM team maintained a robust IPO pipeline throughout 2025 and expects this momentum to continue into 2026, particularly in technology, biotech and large-cap transactions. Our strength lies in our integrated PRC and Hong Kong law capabilities, allowing us to advise seamlessly across both jurisdictions.

In addition to the recovery of the IPO market, Hong Kong's debt capital markets have also shown improving momentum, particularly in offshore Renminbi bonds, medium-term note programmes and structured financing products. The continued sovereign bond issuances in Hong Kong by the PRC Ministry of Finance have further reinforced Hong Kong's position as an important international financing platform for PRC issuers.

There has also been growing market interest in Real World Asset (RWA) and tokenized financing structures, supported by the Hong Kong government's digital asset initiatives and the evolving regulatory framework. The development of tokenized bonds and digital securities has also strengthened Hong Kong's position as an international fundraising and digital finance hub.

### Deal Highlights

**IPOs**

LIGHTELLIGENCE 曦智科技

Advised **Lightelligence** on becoming the first optoelectronic hybrid computing power company to successfully list on the Main Board of the HKEX under Chapter 18C.

**IPOs**

云英谷科技 VIEWTRIX TECHNOLOGY

Advised **VIEWTRIX Technology** on its listing as China's first domestic AMOLED display driver chip company on the HKEX.

**IPOs**

壁仞科技 BIREN TECHNOLOGY

Assisted **Biren Tech** in successful listing on the Main Board of the HKEX, the first Mainland Chinese GPU company listed in Hong Kong.

**IPOs**

HESAI

Assisted LiDAR industry leader **Hesai Technology** in successfully listing on the Hong Kong Stock Exchange with a dual primary listing.

### International Bond Offering

Assisted **China Huaneng Group Co., Ltd.** in the successful issuance of USD $1 billion offshore subordinated guaranteed perpetual green bonds.

### International Bond Offering

Advisee **WuXi AppTec** on the Issuance of CNY 6.78 Billion in U.S. Dollar-Settled Zero-Coupon Convertible Bonds Due 2027.

### International Bond Offering

Assisted **Alibaba** in successfully issuing approximately USD 3.2 billion in zero-coupon convertible bonds.

### Digital Assets/RWA

Advised on the World's First Compliant Carbon Coin RWA Issuance by **China Carbon Neutrality Development Group Limited**.

# DISPUTE RISKS AND COMMERCIAL STRATEGIES

## Safeguarding Business, Meeting Global Standards

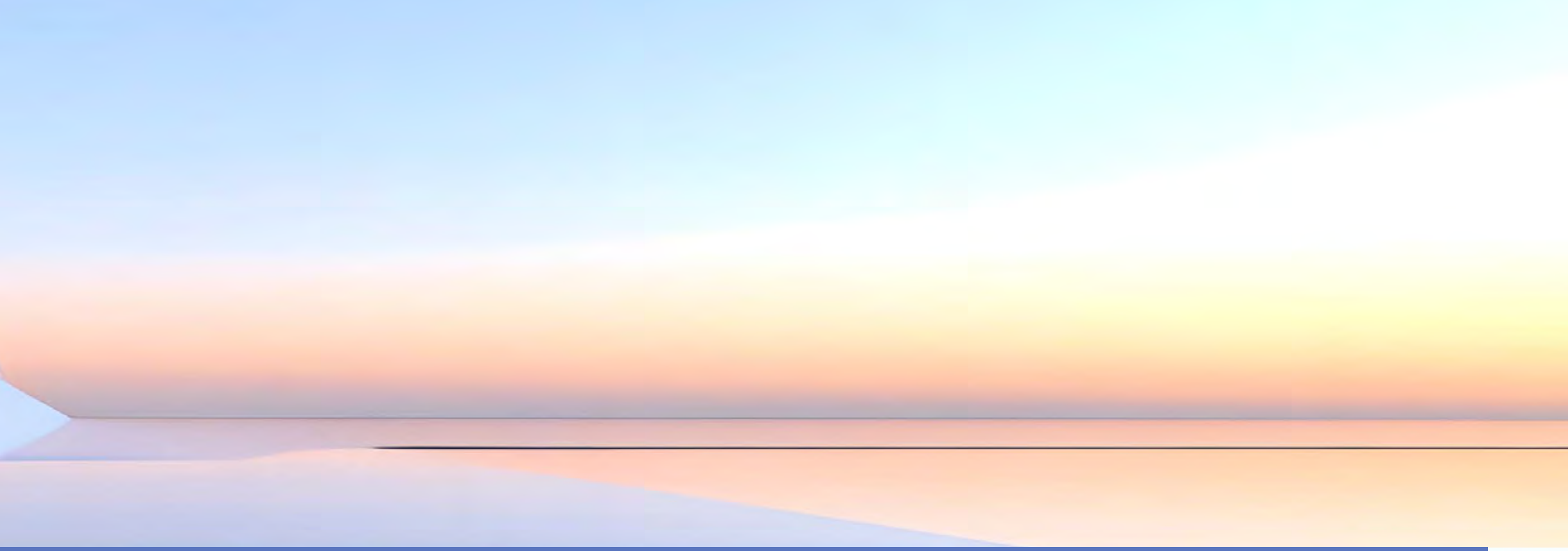
### Regulatory Landscape and Market Trends

Amid continuing international volatility and a market landscape marked by both opportunities and challenges, dispute resolution-related legislation and practice in China during 2025 and 2026 reflected several clear trends: a continued commitment to improvement of capabilities in foreign-related legal services, a focus on improving the business environment, continuous emphasis on the foreign investment and private economy, and greater reliance on diversified dispute resolution mechanisms. These developments further advanced four key objectives: institutional internationalization, equal protection, the legalization of non-litigation dispute resolutions, and enhanced governance efficiency.

In September 2025, the revised *Arbitration Law* was formally adopted and came into effect in March 2026. The revision marks the first major overhaul of the *Arbitration Law* since its implementation 30 years ago. In particular, the provisions relating to foreign-related arbitration draw extensively on advanced international commercial arbitration systems and prevailing global practice, while remaining rooted in domestic realities and reflecting Chinese characteristics. Notable changes include the introduction of the internationally recognized concept of the "seat of arbitration" and the limited opening-up of ad hoc arbitration. These reforms are of far-reaching significance for China's efforts to accelerate the development of international arbitration centers and to build itself into a globally recognized preferred venue for international commercial arbitration.

In April 2025, the *Private Economy Promotion Law* was formally adopted and came into effect in May 2025. As China's first foundational law dedicated to the protection and promotion of the private economy, the law elevates the principle of "unswervingly encouraging, supporting and guiding the development of the non-public sector" from policy into legislation. In July 2025, the Supreme People's Court issued 25 measures to implement the *Private Economy Promotion Law*, continuing to translate these requirements into judicial practice, providing private entrepreneurs with greater legal certainty and laying a rule-of-law foundation for the development of the private economy.

In December 2025, the State Council promulgated the *Regulation on Commercial Mediation*, which came into effect in May 2026. As China's first administrative regulation specifically governing commercial mediation, the Regulation has changed the previous fragmentation of commercial mediation rules across litigation, arbitration and people's mediation regimes. It establishes a unified, systematic and independent institutional framework for commercial mediation, filling a gap in dedicated national-level legislation and providing a new rule-of-law engine for the standardized, professional and international development of the commercial mediation sector. Its provisions concerning the scope of commercial mediation, procedural rules, codes of conduct and other matters are fully aligned with the Singapore Convention on Mediation. It supplements the substantive domestic legal rules necessary for the implementation of the Convention, addresses the core barrier arising from the previous disconnection between domestic laws and the Convention. It has removed institutional obstacles for China to complete its domestic approval procedures for the Convention and to smoothly apply the Convention in the enforcement of cross-border commercial settlement agreements.



## Case Highlights

- Represented a prominent Chinese wealth fund as the claimant in an arbitration before the HKIAC against multiple guarantors, arising from the enforcement of recourse under a secured convertible loan facility of up to USD 700 million extended in connection with the fund's investment in an iron ore project in Mongolia. The arbitration sought to enforce the joint and several guarantee obligations of the guarantors, claiming payment of the outstanding loan principal, fixed return, and accrued interest, with the total amount in dispute exceeding USD 1 billion. This case holds considerable significance in the context of large-scale international investment disputes, particularly those involving sovereign wealth funds and cross-border financing structures, and may influence the development of legal standards for risk mitigation in similar transactions across Asia and beyond. The arbitration addresses critical issues related to the enforcement of guarantees under a substantial secured loan agreement. The outcome of this case could establish important precedents in the enforcement of guarantees in complex financing arrangements, particularly when dealing with multi-party guarantor structures. This case involves the application of laws of multiple jurisdictions, including English law, BVI law, Mongolian law, etc.

- Represented a private entrepreneur in the second-instance and retrial proceedings of a dispute with an insurance company over the performance of a debt-assumption acquisition of the equity interests in a real estate project company, with the total amount in dispute approaching CNY 900 million. Although the original first-instance judgment had rejected almost all of the client's claims, the Fangda team conducted a comprehensive review of the negotiation process and performance history of the transfer agreement, reconstructing the commercial purpose and complex allocation of interests underlying the contractual wording. The team successfully overcame multiple obstacles raised by the insurance company, including the transferor's alleged failure to perform various closing obligations under the agreement, and the argument that payment for the transferred claims and the disposal of legacy assets should be settled between the client and the project company. The court of second instance for retrial procedure, ultimately confirmed that the insurance company was the party obligated to pay the consideration for the equity and debt transfer under the debt-assumption acquisition, and that it should bear liability for payment of the transfer consideration and late payment. The judgment was fully enforced.

- Represented an accounting firm in a civil action involving alleged misrepresentation. In the case, the listed company concerned and the relevant responsible persons were held liable for civil compensation arising from misrepresentation. Through a carefully considered defense strategy, meticulous factual analysis and in-depth legal arguments, the Fangda team helped the client avoid civil compensation liability. The judgment clarified that the core duty of intermediary institutions is to comply with statutory procedures and exercise professional prudence, rather than to assume blanket liability for malicious fraud committed by listed companies. For accounting firms acting as securities service providers, the relevant liability is a "relative responsibility" based on the fulfillment of due diligence obligations, rather than an "absolute responsibility" to guarantee error-free audit results. The successful outcome provides useful guidance in clarifying the liability boundaries of accounting firms and other securities service providers.

- Represented a leading securities firm and another intermediary institution in a series of litigation and arbitration proceedings arising from alleged misrepresentations in connection with multiple bonds issued by a group company. The proceedings were brought by investors against the relevant bond intermediary service providers, with the total amount in dispute reaching several hundred million renminbi. The Fangda team handled more than ten litigation and arbitration cases in succession. In the course of representing the clients, the team conducted an in-depth analysis of the liability rules and cutting-edge judicial practice relating to securities misrepresentation, accurately grasped the legislative spirit of the new judicial interpretations, and built a comprehensive and robust defense framework based on the specific facts of the cases. The team ultimately assisted the clients in securing complete victories.

- Represented a foreign-invested wind power equipment manufacturer in an arbitration initiated by the buyer before the China International Economic and Trade Arbitration Commission (CIETAC), with the amount in dispute exceeding CNY 70 million. The case involved numerous disputed issues, including technical and quality issues relating to wind power products, alleged batch defects, losses in power generation, and extensions of the warranty period. Through close communication with the client's technical team and external technical experts, the Fangda team conducted a detailed review of the contractual and statutory technical standards applicable to the wind turbines, and emphasized that the buyer had failed to prove that the turbines breached any contractual or statutory technical standards or that the seller had committed any breach of contract. The team also carefully reviewed the contract performance materials and demonstrated that both the warranty period and the seller's contractual liabilities had expired. The team ultimately secured a complete victory for the client.

# LIFE SCIENCES & HEALTHCARE

## Regulatory Evolution and Industry Consolidation

### Regulatory Landscape and Market Trends

**Focus on human genetic resources (HGR) provides regulatory clarity**

In the area of human genetic resources (HGR), China's regulatory authorities continued to provide practical compliance guidance through a series of official clarifications. In May 2026, draft amendments to the *Implementing Rules for the Regulation on the Administration of Human Genetic Resources* were released for public consultation. These rules provided extra guidance relating to the collection, preservation, utilization and cross-border provision of HGR and enhancing regulatory certainty for market participants.

Significant progress was also made in the regulation of emerging biomedical technologies. *The Regulation on the Administration of Clinical Research and Clinical Translational Application of New Biomedical Technologies* (Order No. 818), which took effect in May 2026, established a tiered regulatory framework distinguishing clinical research filings from translational application approvals. Together with the revised *Implementing Regulations of the Drug Administration Law* (Order No. 828), it provides a clearer compliance pathway for the development and commercialization of frontier technologies such as cell and gene therapies.

**Full recovery in capital markets and resurgent M&A activity**

M&A activity in the life sciences sector has continued to gain momentum. Multinational pharmaceutical companies are increasingly partnering with Chinese biotech companies through acquisitions, licensing arrangements and co-development collaborations to strengthen pipelines, expand indications and address patent cliff challenges. As cross-border transactions become more sophisticated, the demand for integrated legal and regulatory advice continues to grow.

**Medical device and AI healthcare sectors become more competitive**

Consolidation has also accelerated in the medical device and AI healthcare sectors. In areas such as IVD, AI-enabled healthcare and high-value medical consumables, M&A transactions are increasingly used to integrate technologies, products and distribution channels, while supporting international expansion by Chinese healthcare companies with proprietary technologies and innovative products.

With increasing globalization and regulatory complexity, life sciences companies must carefully evaluate strategic objectives, pipeline development, financing needs and compliance considerations when selecting the most appropriate transaction structures and growth strategies.

## Deal Highlights

OPM 奥浦迈

Assisted **OPM Biosciences** in obtaining CSRC registration approval for a landmark "dual first-of-its-kind" restructuring transaction.

Advised **Beijing Jingguoguan Yizhuang Kangqiao Healthcare M&A Investment Fund** on its strategic acquisition of Pediatrix Therapeutics, further advancing the development of its healthcare investment platform.

天境生物 TJ BIOPHARMA

Advised **TJ Biopharma** on its strategic licensing collaboration with Biogen relating to Greater China rights for felzartamab, supporting the commercialization of innovative therapies.

中国生物制药 SINO BIOPHARMACEUTICAL

Represented **Sino Biopharmaceutical** in its acquisition of 100% equity interest in Hygieia Pharmaceuticals for a total consideration of CNY 1.2 billion, further strengthening its innovative drug pipeline.

XtalPi 晶泰科技

Advises **XtalPi** on its three equity placements raising an aggregate of HKD5.9 billion and its issuance of HKD$2.9 billion convertible bonds, highlighting the market opportunity for an AI-driven drug discovery platform company and providing a typical example of post-IPO capital management.

# ENERGY, MINING AND INFRASTRUCTURE

## Green Transition, Resource Security and Global Co-opetition

## Regulatory Landscape and Market Trends

### Comprehensive Upgrade of the Energy Legal System and Green Transition in the 15th Five-Year Plan

Over the past year, China's energy legal framework has achieved a milestone upgrade. The *Energy Law of the People's Republic of China* **officially entered into force on January 1, 2025**, providing a comprehensive legal foundation for the country's green low-carbon transition, energy security, and market-oriented reforms. Building upon this, the Standing Committee of the National People's Congress **officially adopted the Ecological Environment Code in March 2026** (effective August 15, 2026), further fortifying the statutory basis for a modern energy system and ecological civilization. Concurrently, as China officially launches its **15th Five-Year Plan (2026–2030) in 2026**, national policies are shifting explicitly toward a "dual-control system for carbon emissions," expanding the national carbon market's scope by integrating product carbon footprint tracking and carbon labeling certifications.

### New Market-Driven Pricing and Integration Cycle for Domestic Renewable Energy

China's cumulative installed capacity for renewable energy has continued its explosive growth, **historically overtaking traditional coal-fired power capacity in 2025**. This massive volume has fundamentally transformed the underlying business rationale: the renewable energy sector has shifted decisively from "quantitative growth" to "grid integration and market-based consumption". Driven by rising curtailment pressures from high-penetration renewables in certain regions, **the newly updated Price Settlement Mechanism (implemented in June 2025)** requires all new grid-connected projects to fully participate in competitive bidding. Electricity price structures are aligning closely with volatile market-driven green power mechanisms, compelling developers and M&A participants to adopt smarter, medium-to-long-term power purchase agreements (PPAs).

### Deepening National Unified Power Market and Normalized Green Power Trading

The establishment of a unified national power market led by the NDRC and the NEA has entered a phase of deep institutional maturation. **In December 2025, a newly overhauled edition of the *Basic Rules for Medium- and Long-Term Electricity Trading* was officially released**, replacing the obsolete 2020 rules and providing a standardized national framework for high-proportion renewable market participation. Trading volumes for green power and Green Electricity Certificates (GECs) have experienced exponential growth. Central regulators are aggressively dismantling barriers to inter-provincial and inter-regional trading, significantly enhancing cross-regional resource allocation. Grid-connection, dispatching, and settlement frameworks for energy storage, virtual power plants (VPPs), and load aggregators have become more tightly regulated. Fangda has been closely tracking the full life-cycle legal evolution of the green power market; building on our success advising global giants like EDF Renewables on long-term corporate PPAs, we continue to lead in innovating contract structures that hedge dual green-power and carbon-asset values.

### Competitive Bidding Reform for Mining Rights and Strict Critical Resource Supervision

The enforcement of the revised *Mineral Resources Law* has tightened progressively, with policy priorities favoring a more rigorous mining rights transfer and revenue adjustment system. For strategic critical minerals such as lithium, cobalt, nickel, and rare earths, the government has refined national control catalogs and mandated end-to-end compliance reviews alongside long-term strategic export quota controls. Comprehensive resource utilization efficiency and ecological restoration obligations in mining zones have been elevated to unprecedented levels of compliance urgency, aligning seamlessly with the new *Ecological Environment Code*.

### Enforced Fair and Open Access to Oil and Gas Infrastructure

Operational and third-party access rules for PipeChina have become significantly more detailed, objective, and transparent. Under the revised *Measures for the Supervision of Fair Open Access to Oil and Gas Pipeline Network Facilities*, one of the regulatory priorities for 2025–2026 is to address "last-mile" constraints in pipeline access, promote fair access to injection and offtake points, and enhance transparency in information

disclosure. As global LNG supplies enter a new expansion cycle in 2026, he pace of supply easing remains subject to uncertainties arising from geopolitical developments, project delays and shipping-route risks. Domestic buyers are therefore taking a more selective approach to locking in medium- and long-term LNG resources, taking into account price cycles, security of supply requirements and receiving terminal capacity. Fangda's Energy and Projects team leverages its deep value-chain expertise to highly involve in the majority of LNG medium- and long-term procurement projects by Chinese buyers in the market, as well as LNG terminal investment projects. The team also has extensive experience in LNG terminal use arrangements, and is well placed to provide clients with seamless legal support for LNG procurement, terminal investment and operation, and infrastructure access.

### Geopolitical Risk Intensification and the Shift in Overseas Energy Investments

Despite a volatile global geopolitical landscape, overseas energy investments remain a vital cornerstone for Chinese enterprises expanding globally, particularly within renewable energy, power transmission, and energy storage, mining and other key infrastructures. However, the strategic layout has diverged in 2025–2026. While continuing to navigate high-compliance markets in South America and Europe, Chinese players are heavily shifting capitals toward power grids and off-grid/micro-grid renewable bases, mining and other infrastructures across Central Asia, Southeast Asia, and "Belt and Road" corridors. the risks faced by Chinese investors in outbound investments remain significant. On one hand, several recent cases have shown host-country governments imposing improper sanctions or restrictive measures (or even appropriation), jeopardizing the security of overseas energy assets owned by Chinese enterprises. On the other hand, we are witnessing a trend of aggressive localized supply-chain mandates, tightening foreign exchange controls, and rising cross-border ESG litigations. Fangda's Projects and Energy team utilizes its expansive international network and robust cross-border experience to offer clients practical risk-mitigation and international dispute resolution strategies.

## Deal Highlights

中国华电集团有限公司
CHINA HUADIAN CORPORATION LTD

Advise **Huadian** on its bidding for a solar power project under the Mentari Nusantara I solar programme in Indonesia and its investment in two solar projects in New Zealand.

中国有色 CNMC | 中国有色金属建设股份有限公司
CHINA NONFERROUS METAL INDUSTRY'S FOREIGN ENGINEERING AND CONSTRUCTION CO.,LTD.

Advised **NFC** on Its Successful Acquisition of Peruvian Mining Assets.

兴业银行
INDUSTRIAL BANK CO.,LTD.

Advises **Xingtong Holdings** and **Industrial Bank** on CNY 850 Million Financing for Mexican Copper Concentrate Project.

中国进出口银行
THE EXPORT-IMPORT BANK OF CHINA

Advised the **Export-Import Bank of China** on EUR 75 million financing for 41 MW Hydro Power Plant Bistrica in Bosnia and Herzegovina.

# INTELLECTUAL PROPERTY

## Innovation and Brand Protection

### Regulatory Landscape and Market Trends

Over the past year, China has introduced a series of new legislative and regulatory measures across multiple levels of its intellectual property framework, including laws, administrative regulations, departmental rules and judicial interpretations. These reforms seek to address increasingly sophisticated and technology-driven IP issues through more responsive administrative enforcement, further strengthening China's intellectual property protection regime.

The Standing Committee of the National People's Congress adopted comprehensive amendments to the *Trademark Law of the People's Republic of China*, which will take effect on 1 January 2027. This marks the first comprehensive revision in more than four decades since the law came into force in 1983. The revised law expands from eight chapters and 73 articles to nine chapters and 87 articles, further refining the overall trademark administration framework, registration requirements and the well-known trademark regime. It also strengthens trademark administration, enhances supervision over trademark agencies and practitioners, and improves protection for registered trademark rights. The amendments address longstanding practical issues in trademark protection while further modernising and strengthening China's trademark system.

The Supreme People's Court issued the Interpretation on the *Application of Punitive Damages in the Trial of Civil Intellectual Property Infringement Cases (Judicial Interpretation [2026] No. 7)*. Building upon the implementation experience of *Judicial Interpretation [2021] No. 4*, the new interpretation further clarifies the standards for determining "intentional infringement" and "serious circumstances", defines the concept of engaging in IP infringement "as a business", and provides more detailed guidance on calculating the damages base and determining punitive damage multipliers. These refinements enhance the practical application of punitive damages and promote greater consistency in judicial decisions.

The State Administration for Market Regulation (SAMR) revised and promulgated the *Provisions on the Protection of Trade Secrets (SAMR Order No. 126)*, replacing the regulations that had been in force since 1995. Implementing the policy objective of establishing a comprehensive trade secret protection system, the revised provisions comprehensively modernise their structure, substantive rules and enforcement procedures to address emerging challenges arising from the digital economy and technological competition.

The China National Intellectual Property Administration (CNIPA) revised the *Patent Examination Guidelines (CNIPA Order No. 84)*, effective from 1 January 2026. Guided by practical needs, the amendments update examination standards for emerging technologies and business models, including artificial intelligence, big data, biotechnology and streaming technologies. Key revisions include clarifying the definition of plant varieties and appropriately expanding patent-eligible subject matter, introducing AI ethics considerations and additional inventive-step examination examples, and establishing dedicated examination rules for bitstream-related patent applications. The amendments also refine procedures for same-day dual filings ("dual-track applications") and strengthen measures against malicious invalidation actions, reflecting a more flexible examination approach to increasingly complex IP disputes.

The State Council promulgated the *Regulations on the Handling of Foreign-Related Intellectual Property Disputes (State Council Order No. 801)*, effective from 1 May 2025. As China's first comprehensive administrative regulation dedicated to foreign-related IP disputes, the 18-article regulation establishes an end-to-end support mechanism covering prevention, response and post-dispute relief for Chinese enterprises expanding overseas. It also introduces a range of countermeasures, including trade

and diplomatic responses, demonstrating China's increasingly proactive approach to addressing cross-border intellectual property disputes.

The State Council also revised the *Regulations of the People's Republic of China on the Protection of New Plant Varieties (State Council Order No. 807)*, effective from 1 June 2025. This is the third revision since the regulations were first introduced in 1997. The amendments significantly strengthen protection by extending coverage from propagating material to harvested material, lengthening the protection period from 20 to 25 years for woody and vine species and from 15 to 20 years for other plant varieties, and introducing the Essential Derived Variety (EDV) regime, thereby supporting China's goals of strengthening seed technology innovation and safeguarding national seed security.

The Standing Committee of the National People's Congress also revised the *Anti-Unfair Competition Law of the People's Republic of China*. The revised law comprises five chapters covering general provisions, acts of unfair competition, investigations, legal liabilities and supplementary provisions. It further improves the legal framework governing unfair competition and promotes a unified, open, fair and orderly market. As an updated framework legislation, it also provides a stronger statutory foundation for subordinate rules governing trade secret protection, online competition and related areas.

At the policy level, the Office of the Inter-Ministerial Joint Conference for Building China into a Strong Intellectual Property Nation issued the *2025 Action Plan for Building China into a Strong Intellectual Property Nation*, setting out 118 priority initiatives across seven key areas. The Action Plan provides an overarching roadmap for implementing and coordinating the legislative and regulatory reforms described above, reinforcing the strategic development of China's intellectual property regime.

## Case Highlights

laifen 徕芬

Represented **Laifen** in defending against a design patent infringement lawsuit brought by Dyson concerning hair dryers. Both the Guangzhou Intellectual Property Court and the Guangdong High People's Court held that Laifen's hair dryer did not fall within the scope of protection of Dyson's design patent, and dismissed all of Dyson's claims.

TRAEGER

Represented **Traeger**, a globally renowned manufacturer and seller of outdoor grilling equipment, in bringing separate actions before the Guangzhou Intellectual Property Court and the Beijing Intellectual Property Court against several former employees for misappropriating trade secrets and filing patent applications based on the misappropriated technology, involving disputes over infringement of technical secrets and patent ownership. The matters were ultimately fully settled, with Traeger obtaining, at no cost, 36 patents applied for by the opposing parties as well as multiple domestic and overseas trademarks.

Represented an **intelligent technology company** in defending a lawsuit concerning alleged infringement of GUI design patent rights. The case went through the full proceedings at both first instance before the Suzhou Intermediate People's Court and second instance before the Jiangsu High People's Court, with complete victories achieved at both stages. The case clarified the boundaries of patent protection for graphical user interfaces and serves as a highly referential precedent in the field of digital interaction design. It is also the first GUI design patent infringement case to date in the cleaning appliance sector.

Represented **Apple** in patent infringement litigation concerning its artificial intelligence products, securing a first-instance victory before the Shanghai Higher People's Court. The case spanned 14 years from filing to judgment, with claimed damages exceeding CNY 10 billion—the highest damages claim ever recorded in Chinese intellectual property litigation.

Microsoft

Represented **Microsoft** in patent infringement litigation concerning its Windows operating system and Office software, securing a first-instance judgment of non-infringement that dismissed all claims brought by the plaintiff.

# FINANCIAL INDUSTRY, INVESTMENT FUNDS, INVESTMENT MANAGEMENT

## FINANCIAL INDUSTRY
A More Settled Regulatory Environment, and Greater Foreign Participation

### Regulatory Landscape and Market Trends

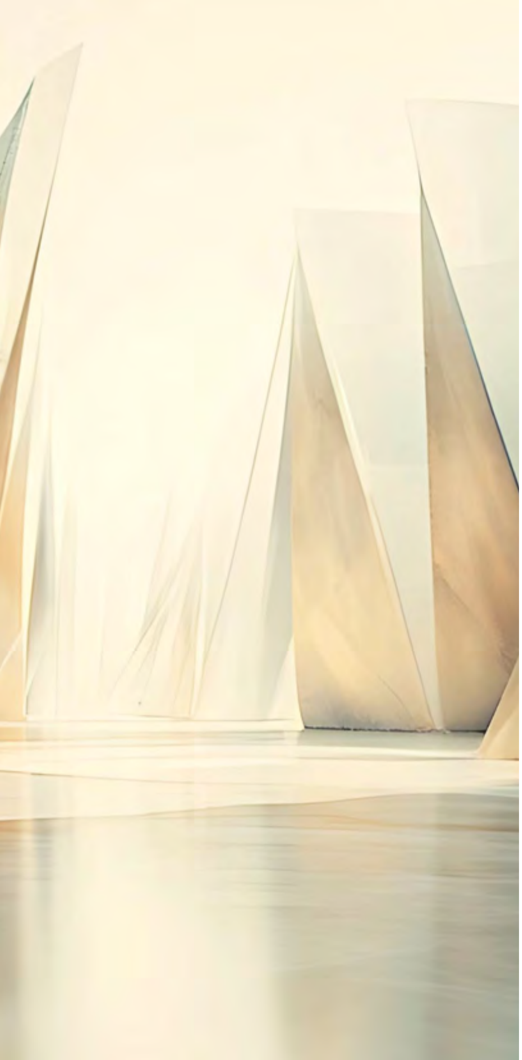
While the international landscape remains volatile and uncertain, China's financial policy has been consistent and clear. This year, the draft *Financial Law* made its first public appearance. Several new formulations are worth noting. First, the draft clarifies regulatory responsibilities by defining the competent regulators for different types of financial institutions. Second, taking full coverage of financial activities as its central theme, it further emphasizes the equal importance of institutional regulation, covering conduct, function, and look-through regulation. The draft requires consistent regulatory standards to be applied to financial activities of the same nature.

At the same time, amid intensifying competition in high-tech sectors, some Chinese institutions have encountered repeated obstacles in their overseas business expansion, placing the security of industrial and supply chains higher on the agenda. For the first time, the draft *Financial Law* proposes safeguarding the security of "overseas financial assets" and introduces provisions on countersanctions and the blocking of "improper" extraterritorial application of foreign laws. Together with previously enacted legislation, whether and how this package of measures will be applied in practice remains an area to watch.

Another important legislative development is the formal promulgation of the long-awaited rules on derivatives trading regulation. The rules have narrowed the scope of direct extraterritorial jurisdiction, thereby strengthening foreign investors' willingness to participate in derivatives transactions linked to domestic assets. Meanwhile, substantive progress has also been made in the amendment of several major laws, including the *Law on the People's Bank of China*, while revisions to the *Banking Supervision Law* and the *Insurance Law* are also gathering pace.

Under the combined pressure of declining predicted interest rates, the transition to new accounting standards and the implementation of the "alignment of reporting and actual practice" requirements, insurance institutions have withstood challenges. They continue to allocate their funds to equities, thereby acting to help stabilize the market. Regulatory effectiveness has been enhanced by increased supervision at the local level and multi-layer regulatory measures. The insurance asset management sector has benefited from more opening-up. In the Greater Bay Area, policy support has also been strengthened, and risk transfer products represented by "sidecar" structures are gradually being piloted in Hong Kong.

There has been an acceleration in the overall consolidation of securities firms. Certain previously grey-area cross-border practices are also facing increasingly stringent regulatory scrutiny, as regulators begin to show real enforcement teeth. We have also seen the continuation of top-quality institutions opening up, slowly but steadily. Foreign participation in China's financial markets has grown, with foreign securities firms such as Mizuho Securities successfully obtaining approval to set up, while Fubon Bank and Santander Bank have also received approval to open branches in Shenzhen. Rules on short-swing trading by foreign investors participating in domestic securities trading have been further clarified, the range of products



tradable by QFIs has been expanded, and the QFI regime is expected to be further optimized and upgraded over the next two years, including clarification on QFIs' participation in offshore derivatives transactions.

## Deal Highlights

Representing a **global leading market maker** in establishing a wholly foreign-owned securities company in China.

Representing a **major overseas insurance group** in its proposed acquisition of a domestic insurance brokerage company.

Assisting **ERGO Group** in completing a new round of capital increase in ERGO China Life.

Providing China-related support to **Generali Group** and Groupe BPCE in their proposed global asset management business cooperation.

Representing several **overseas financial institutions** and **investment institutions**, including U.S. and European institutions, in their proposed increases of shareholding in domestic fund management companies.

Representing **Nuvei** in connection with its landmark acquisition of global cross-border payment commerce platform Payoneer for approximately USD 2.75 billion.

Representing **Bharti Group of India** and **Warburg Pincus** in their strategic investment in Haier India.

Assisted **Ant Group** in its acquisition of Bright Smart Securities.

# INVESTMENT FUNDS
## Regaining initiative in investment funds

### Regulatory Landscape and Market Trends

In March 2026, five government agencies jointly issued a draft bill, under the name of PRC Financial Sector Bill (the "**Bill**"), for public comments. Once promulgated, the Bill will bring private funds, which technically are not "financial institutions" under the current laws and regulations, under the same regulatory umbrella covering PRC financial institutions.

In 2025, a surge of buyout and control deals emerged from years of steep decline in growth activities. With the change in strategy comes a slightly different set of players. Local state, provincial or quasi-government funds have become more prominent in China's private equity market. Global sponsors continue to play an important role in complicated cross-border transactions.

**Buyout funds**

China rebounded to become Asia's busiest buyout market in 2025, recording 293 buyouts, more than any other market in Asia and up three-quarters (73%) from the previous year[1]. This is translated to the abundance of RMB-denominated buyout funds. In 2025, we assisted sponsors like **CITIC Capital**, **PAG** and **Shanghai SIIC Capital Management Co., Ltd.**, the PE arm of Shanghai Industrial Investment (Holdings) CO., Ltd. in consummating final closings of their flagship RMB buyout funds.

**Co-Investments**

Co-investment strategies have become an integral part of the GP-LP relationship globally. In 2025, we advised **DCP Capital** on a CNY 3.1bn separately managed account with PingAn, allocating a significant portion of the commitments to overseas investment opportunities. We also represented **KKR** in connection with the structuring and formation of a co-investment fund tailored for leading PRC insurance firms, to acquire (together with other funds controlled by KKR) a controlling stake in Dayao Guest Beverage Co., Ltd., China's third largest sugared soda brand. This deal represents a rare foreign takeover of Chinese beverage brand but fits into a broader strategy the PE giant KKR has been deploying in China's consumer and services sectors.

**Continuation funds**

Secondary market in the RMB fund sector continues to develop in terms of both deal complexity and structural sophistication. GP-led restructurings and continuation vehicles (known as "**CVs**") are increasingly popular in the RMB fund market.

As a pioneer in RMB fund formation and a leader in M&A transactions, Fangda has accumulated extensive experience in S funds and secondary transactions and is uniquely positioned to advise on complex cross-border CV projects.

In 2025, we advised **KKR** on establishing its first RMB-denominated fund, which together with a newly formed USD CV also under its management, successfully completed a cross-border GP-led restructuring of Sylvan International Biotechnology Co. Ltd., a global leader in mushroom cultivation and fungal biotechnology.

**The years ahead**

With a sharp jump in exit count from 26 to 46, China's exit value jumped 78% from $25.9bn in 2024 to $46.2bn in 2025[2], reclaiming its title as the most active market in the region. With this shift in the wind, more GPs have been thinking about fundraising in 2026 than in prior years, creating an air of optimism for fund lawyers as well.

We are proud to be the only Chinese firm to be ranked, for the fourth consecutive year, at the *Fund Formation League Table* released by Private Equity International ("**PEI**"). The League Table is the industry's only ranking of top law firms, and its inaugural version was released in 2023 by PEI. This year, we were also ranked among leading global firms by total fundraising amount, in addition to the number of funds formed, underscoring international recognition of our investment funds expertise and reaffirming our leadership in Greater China fund market.

1. Deloitte's *2026 Asia Pacific Private Equity Almanac*.
2. According to Bain & Co's *Asia-Pacific Private Equity Report 2026*.

# INVESTMENT MANAGEMENT

## A Mature Framework Entering a New Phase of Accelerated Rollout and Opening-Up

### Regulatory Landscape and Market Trends

**Key Rules Come into Effect:** After years of development and refinement, a number of important regulatory rules, including those governing derivatives trading, short-swing trading, and trust regulation, were formally introduced. The next key focus will be on how these rules are implemented in practice.

The draft Financial Law has been unveiled, and the *Measures for the Supervision and Administration of Futures Companies* is now in its second round of public consultation. Both of these steps are necessary to provide a solid foundation of the regulatory framework governing China's financial sector.

We continue to assist clients in monitoring regulatory developments, implementing compliance measures, and providing practical feedback to regulators, with some of our recommendations ultimately reflected in the final rules.

**Qualitative Shift in Cross-Border Enforcement:** The China Securities Regulatory Commission's investigations into offshore institutions such as Tiger Brokers and Futu for illegally conducting business within China mark a shift in the regulation of cross-border securities activities ranging from regulatory warnings to substantive enforcement. We acted promptly to assist domestic and international brokerages, banks, technology service providers, and internet platforms in assessing licensing boundaries, business operation risks, and, where necessary, remediation arrangements.

**Expansion of Cross-Border Trading:** The Qualified Foreign Investor (QFI) regime was further refined and optimized, including streamlined market access procedures, enhanced trading and settlement mechanisms, and expanded access to additional products such as treasury bond futures, interbank bond repurchase transactions, and ETF options trading on the Shanghai and Shenzhen stock exchanges. The futures market also opened several additional futures and options products to overseas investors.

### Deal Highlights

- Provided comprehensive assistance to a **foreign-invested quant firm** in responding in a timely fashion to inquiries from multiple regulators and exchanges regarding its system deployment and trading activities, as well as in formulating compliance strategies for media responses.
- Advised an **international financial market infrastructure service provider** on compliance matters relating to the development of new cross-border trading functionalities for China's futures market.
- Provided legal services in the sale of equity interests by a minority shareholder of a **payment institution** to an offshore purchaser, helping resolve key financial regulatory and compliance issues.

# MARKET COMPETITION AND REGULATORY BOUNDARIES

## Evolution of China's Antitrust Regime

Over the past year, China's antitrust regime has become more structured, transparent, and better coordinated from a policy perspective.

The State Administration for Market Regulation ("SAMR") strengthened the regulatory framework established in earlier years by consolidating key instruments such as the unified merger notification specifications, the penalty benchmarks for failures to file, and the safe harbor thresholds for vertical restraints. The upshot has been a significant enhancement of the transparency and predictability of antitrust enforcement.

From a policy perspective, 2026 marked a shift toward translating refined legal frameworks into stable tools for market supervision. Regulatory attention focused on building a coherent enforcement pattern, strengthening coordination between AML enforcement and complementary competition law instruments, and reinforcing accountability at both administrative and enterprise levels.

### Merger Control

Between June 1, 2025 and May 31, 2026, SAMR accepted 654 merger filings, reflecting a modest increase from the previous year. Nearly nine of 10 (87%) of these were reviewed under the simplified procedure, with an average review period of just under 20 days. Seven transactions received conditional approvals, while two were prohibited. The agencies continued to apply the "stop-the-clock" mechanism in complicated cases where remedies were under negotiation.

The seven conditional approvals covered key sectors such as semiconductors, critical minerals, agriculture, an online audio streaming platform, and automotive components.

During this period, SAMR prohibited two transactions — one in pharmaceuticals and another in public utilities. The interpretation is that the regulatory authorities are taking a closer look at deals affecting supply chain security or consumer welfare.

### Key Trends

- **Closer Alignment between Competition Policy and Industrial Policy:** Conditional approvals in Synopsys/Ansys and Keysight/Spirent included behavioral remedies requiring continued supply to Chinese customers, access to key technologies, and non-discriminatory licensing. Against the backdrop of geopolitical uncertainty, these remedies were intended to enhance the stability and resilience of domestic industrial supply chains.

- **More Below-Threshold Reviews:** SAMR continued to exercise its power to review transactions that do not meet the statutory turnover thresholds but may still affect market competition. Four of the seven conditional approvals involved below-threshold deals. This reflects the agency's intent to reconcile traditional turnover based thresholds with the strategic significance of emerging transactions, underscoring its flexibility in adapting to evolving economic realities.

### Highlight Deals

Fangda's market-leading team continued to advise on many of the most important competition cases, covering a broad range of strategic transactions across energy, mining, semiconductors, pharmaceuticals, automotive, and consumer industries, crafting innovative solutions in complex regulatory environments.

SQM

Advising **SQM** on its lithium partnership with Codelco, securing conditional clearance.

TCL 华星光电 CSOT

Acting for **TCL China Star Optoelectronics Technology Co. Ltd.** (TCL CSOT) in its CNY 13.4 billion acquisition of LG Display (China) assets, cleared in seven jurisdictions.

ECOLAB

Advising **Ecolab Inc.** on its C$ 2.4 billion acquisition of Ovivo's semiconductor water systems business.

SoftBank

Representing **SoftBank Group** in its US$ 5.4 billion acquisition of ABB's global robotics business.

## Antitrust Enforcement

Between 2025 and May 2026, SAMR and local agencies concluded some 12 behavioral cases, with a total fines/confiscation amounting to CNY 419.5 million. Authorities continued to prioritize enforcement in pharmaceuticals, public utilities, construction materials, explosives, transport services and digital platforms—industries that directly affect consumer interests and the broader economy.

SAMR also focused on curbing "involuntary competition" such as excessive price cuts and deceptive promotional behavior. Enforcement during this period balanced punishment with prevention, as the regulatory authorities sought to offer constructive guidance to Chinese enterprises rather than simply punishing them if they breach regulations.

### Key Trends

- **Shift Toward Parallel Liability for Companies and Individuals:** Strengthening of parallel accountability for both companies and responsible individuals. The growing emphasis on personal liability for senior management arising from antitrust compliance breaches has added a new layer of complexity to corporate compliance frameworks, necessitating more robust oversight and accountability.
- **Preventive Supervision and Early Compliance Guidance:** Authorities have rolled out further the "Three Letters and One Notice" system, a tiered approach to early intervention that includes oversight letters, guidance meetings, and regulatory interviews. This preventive system allows for corrective action and ensures that enforcement focuses on sustainable compliance improvement rather than solely on punitive measures.
- **Focus on Livelihood and Platform Sectors:** Cases in pharmaceuticals, public utilities, and e-commerce platforms focused on pricing practices and algorithmic compliance issues.

## Antitrust Litigation

Over the past year, there have been more antitrust litigation cases, with a particular focus in China's courts on civil litigation as a means of enforcement, to complement administrative enforcement. At the same time, public-interest litigation initiated by People's Procuratorates remained at an exploratory stage but is expected to be a third avenue of enforcement in the future.

### Key Trends

- **More Follow-On Litigation:** The formalization of follow-on litigation has produced a noticeable rise in claims, especially in sectors tied to healthcare, utilities, and digital services. Courts now more frequently treat administrative findings by SAMR as prima facie evidence of anticompetitive conduct, which streamlines proceedings for plaintiffs. Follow-on litigation has become an increasingly important means of private enforcement.
- **Strengthening Interaction Between Administrative and Judicial Enforcement:** The relationship between regulators and the judiciary has become more interconnected. Administrative penalty decisions have triggered follow-on civil suits, while certain judicial rulings have initiated new administrative investigations. Companies therefore need to pay greater attention to integrated risk management as a result of this convergence.
- **Expansion of Public-Interest Litigation:** There has been a noticeable increase in public-interest litigation following the 2022 amendments to the AML authorizing such proceedings. Between 2025 and 2026, People's Procuratorates filed or supervised a wider range of cases addressing horizontal agreements, resale price maintenance, abuse of market dominance, and administrative monopolies. Public-interest actions have evolved into an effective third enforcement pillar alongside administrative proceedings and private litigation, and their number is expected to increase in the coming years.

# COMPLIANCE REQUIREMENTS AND REGULATORY ENFORCEMENT

## Intensifying Regulation, Escalating Enforcement

### Regulatory Landscape and Market Trends

Over the past year, geopolitical conflicts and shifts have disrupted established rules governing international trade and investment, prompting continuous adjustments in regulatory policies and legal instruments across jurisdictions. As a result, global enterprises are confronting an increasingly challenging compliance environment.

On the one hand, multinational enterprises face increasingly complex and dynamic compliance challenges in their global operations. Sanctions, export controls, and other national security-related regulatory tools are evolving at an unprecedented pace, continually reshaping the global trade and investment landscape.

The traditional sanctions and export control frameworks of the United States and Europe continue to adjust in response to geopolitical developments, with enforcement activities significantly intensifying and a growing number of high-profile enforcement cases emerging.

At the same time, China's export control and counter sanctions legal regime is also steadily maturing, with its laws, regulations, and institutional tools being increasingly applied and refined in administrative enforcement and judicial practice.

On the other hand, as Chinese enterprises accelerate their global expansion, they increasingly encounter regulatory barriers in target markets — barriers specifically targeting certain countries or policy issues. The growing frequency of "black swan" events has elevated the safety of Chinese enterprises' overseas assets and operations to a core compliance risk that can no longer be overlooked.

In the year ahead, enterprises will face an increasingly complex domestic and international compliance and government regulatory environment, presenting both challenges and opportunities in compliance governance. Although domestic data regulators have eased government approval and filing procedures for cross border transfer of personal information, compliance requirements have not been relaxed for personal information protection and for the transfer assessment of important data. On the contrary, enforcement of personal information protection intensified in 2025: APP rectification requirements and deadlines became more stringent, with frequent personal information related enforcement actions across various regulatory domains; and many enterprises also faced mounting compliance pressure from users exercising their personal information rights by filing complaints and initiating litigation.

The promulgation of the Measures for the Compliance Audit of Personal Information Protection means that the Cyberspace Administration of China (CAC) and other personal information protection authorities can conduct more effective supervision and enforcement through compliance audits initiated either by enterprises themselves or by regulatory authorities ex officio.

The scope of "important data" has become increasingly well defined, with many industries informing enterprises of the categories of important data through departmental regulations and special notices. With the introduction of the Cybersecurity Classified Protection 3.0 requirements and the frequent occurrence of data breach incidents in 2025, public security cyber authorities are expected to intensify inspections and enforcement of enterprises' cybersecurity measures.

In the area of listed company compliance, we have been retained by audit committees, independent investigation committees, or management in multiple cases to assist clients in responding to short seller reports, malicious whistleblower complaints, and compliance issues identified during audits.

## Significant Matters

## Full-Spectrum Compliance Services

### Internal Investigations and Crisis Management

We conduct investigations and develop solutions for complex compliance crises facing multinational corporations and leading domestic enterprises. We assist clients in navigating major compliance incidents and represent them in communications with regulatory authorities both in China and abroad. In response to sudden regulatory inspections, criminal investigations, or reputational crises, we help companies rapidly assemble emergency response teams and formulate external messaging strategies as well as internal loss-containment measures. Our practice spans a broad spectrum of industries, including life sciences, traditional manufacturing, consumer and retail, and financial services.

### Privacy, Data Protection and Cybersecurity

We provide full-lifecycle data compliance services, covering government data access, breach response, App enforcement, and cybersecurity inspections. Our clients span retail, hospitality, finance, pharma, automotive, aviation, and smart manufacturing. We conduct PIPL compliance audits, advise on data export filings, and consult on FTZ negative lists. We also handle privacy and facial recognition litigation, and provide due diligence and remediation for IPOs and M&A, with a focus on healthcare, generative AI, and cloud services.

## "Going Global" Compliance Matters

### Overseas Crisis Response

We have assisted numerous Chinese companies and individuals in navigating U.S. enforcement actions and litigation, including forced divestiture, offshore account freezes, and DOJ investigations. Separately, we have represented large state owned enterprises in responding to criminal investigations in Ecuador and other countries, helping formulate response strategies, coordinate with Chinese authorities, and establish risk management for overseas executive assignments.

### Trade Compliance

We provide trade compliance services across sanctions and export controls, supply chain, customs, and trade systems. Our clients span automotive, electronics, AI, semiconductors, engineering, chemicals, logistics, and consumer goods. We have assisted U.S. restricted listed companies with product control analysis, risk assessments, compliance programmes, and responses to investigations and listing issues. We track U.S., China, EU, and other regulatory trends, advising on outbound investment restrictions, ICTS reviews, supply chain due diligence, and China's export controls and anti sanctions laws. On customs, we handle commodity classification, cross border e commerce, tariff analysis, and enforcement defence. Leveraging multi jurisdictional expertise, we deliver legally sound and commercially practical solutions.

### Multilateral Development Bank Sanctions

We have substantial experience in MDB sanctions compliance. In 2025–2026, we advised a major Chinese SOE in construction on a World Bank investigation and potential U.S. enforcement, and bid on multiple MDB sanctions projects. Our team understands MDB regimes and procedures, and has represented Chinese companies in INT negotiations at the World Bank—a role traditionally held by international firms. Our services include independent monitoring, external advisory, investigations and sanctions defence, audit coordination, settlement negotiations, and MDB benchmarked compliance systems.

### Criminal Risk Management / White Collar Crime

We defend clients in bribery, embezzlement, trade secret, illegal fundraising, fraud, and smuggling cases with multiple dismissals, nonprosecutions, or appellate reversals. In the first China investigation of a foreign consultancy, we represented its employees amid heightened security/data enforcement; several were released, others took pleas. We also advised a U.S. bank executive in a corruptionlinked probe, anticipated the investigation and secured closure; and represented a global infrastructure parts maker in a bribery case, where we defused enforcement, secured release of two detained staff, and avoided criminal liability for both the client and its employees.

### Government Enforcement and Crisis Response

In the pharmaceutical anti-corruption drive, we have represented multinational and local pharma companies in investigations by Supervision Commissions, Disciplinary Commissions, market regulators, and police — covering lecture fees, commercial bribery, and medical insurance fraud. In customs anti smuggling operations, we have assisted SOEs, private firms, and foreign invested enterprises in cooperating with investigations, securing dismissals, non arrests, or non prosecutions in multiple cases.

# DISTRESSED SITUATIONS AND VALUE RESTRUCTURING

## Building on the Past, Charting the Future

### Regulatory Landscape and Market Trends

#### Regulatory Landscape and Market Trends

In September 2025, the 14th National People's Congress Standing Committee conducted its 17th session to review the *Draft Amendment to the Enterprise Bankruptcy Law of the People's Republic of China*—the first comprehensive revision since the law's enactment 18 years ago. The amendment focuses on frontier issues including cross border insolvency cooperation, simplified procedures for small and micro enterprises, and insolvency of financial institutions. This legislative refinement responds to the governance needs of the market economy and reinforces the institutional foundation for building a high standard socialist market economy system.

Against the backdrop of this legislative progress, a total of 15 listed companies had their restructuring petitions accepted by courts in 2025, with the overall number remaining relatively stable compared with previous years. Distressed enterprises were primarily concentrated in the manufacturing, real estate, and infrastructure sectors.

In addition, benefiting from increasingly well developed rules, several noteworthy trends emerged: the practice of listed companies "sailing through with pre existing problems" has been further prohibited; the "fourfold internal and external driving factors" have led to dynamic adjustments in restructuring investment proposals and conditions; asset injections and related performance commitments have been implemented; and the use of debt repayment resources in coordinated restructuring of related parties of listed companies has been further standardised.

In parallel, the resolution of risks at small and medium sized financial institutions has been incorporated into the *Recommendations of the Central Committee of the Communist Party of China on Formulating the 15th Five Year Plan for National Economic and Social Development*. Significantly, the *Draft Amendment to the Bankruptcy Law* introduces for the first time a dedicated chapter on "Insolvency of Financial Institutions".

Furthermore, on the practical front, although courts remain cautious about accepting financial institution insolvency cases, new developments have emerged in both the regulatory framework and the approach to resolve financial institution risks.

Building on these developments, the Central Economic Work Conference also called for promoting "reduction in quantity with improvement in quality" among small and medium sized financial institutions.

## Case Highlights

- Served as a member of the liquidation team and acted as interim administrator during the pre-restructuring phase and as administrator during the restructuring phase in the restructuring of listed company Huawang Co., Ltd. This was the first pre-restructuring involving a convertible bond issuer in China, the first—and to date the only—listed company restructuring in which convertible bond issues were comprehensively resolved during the pre-restructuring period through "voluntary conversion + early redemption" measures, and the first listed company restructuring accepted and successfully completed in the year following the implementation of the new "Nine-Point Guideline" of the State Council.
- Assisted the liquidator in a Hong Kong liquidation proceeding to successfully obtain recognition of both the liquidator and the Hong Kong liquidation proceeding by a Shanghai court, marking the second case recognized by Shanghai courts and the first adversarial Hong Kong liquidation proceeding to be recognized in mainland China.
- Acted as administrator in the restructuring of Red Star Macalline Holding Group Co., Ltd., a large private diversified investment group. This case adopted a rare self-rescue model involving both the debtor and creditors, with innovative arrangements including an earn-out mechanism between the original shareholders and creditors, a floating repayment mechanism for secured claims, and a phased freeze on personal guarantee liabilities. The restructuring plan has been approved by the Pudong District Court, and the case was recognised as one of the Top 10 National Typical Bankruptcy Cases of 2025.
- Acted as a member of the liquidation team in the restructuring of a trust company, providing a model for the resolution of risks at small- and medium-sized financial institutions in China.
- Assisted a Japanese company in collaboration with Nagashima Ohno & Tsunematsu in securing recognition of the first Japanese insolvency proceeding by a Chinese court, marking a further development in China's cross-border insolvency practice.
- Appointed by the court upon the applicant's nomination to serve as administrator of Shanghai Shengnan Industrial Development Co., Ltd.—the first bankruptcy restructuring in China in which the administrator was appointed by the court upon the applicant's nomination under statutory authority.
- Acted as joint bankruptcy administrator in the substantive consolidation restructuring of Dehong Hogood Coffee Co., Ltd. and secured court approval of the draft restructuring plan, enabling 98% of creditors to receive full cash repayment while effectively supporting and protecting the local industry and private sector economy.
- Acted as joint administrator for Hangzhou Deye Jiajun Enterprise Management Co., Ltd. (formerly known as Gujia Group Co., Ltd.), the founding shareholder and ex-controlling shareholder of the listed entity KUKA Home (603816).
- Acted as administrator in the CNY 60 billion bankruptcy liquidation of Shanghai Sansheng Hongye Investment (Group) Co., Ltd.
- Represented a major financial institutional creditor in the bankruptcy liquidation of a real estate company in Tianjin, with the creditor's claim amounting to tens of billions of *renminbi*. The Supreme People's Court's cited the liquidation as a model case in its annual work report for the innovative service trust structure introduced in the bankruptcy liquidation framework.

# DEVELOPMENT, CONSTRUCTION AND ASSET OPERATIONS

Resilience and New Drivers in the Real Estate Market

## Resilience and New Drivers in the Real Estate Market

### Regulatory Landscape and Market Trends

In 2025, the real estate investment market continued to face headwinds, with total investment transactions declining by approximately 30% year on year from 2024. With financial investors maintaining their cautious stance adopted over the past several years, we expect this market sentiment to persist through 2026.

Primary buyers in this market will remain insurance capital, RMB denominated real estate investment funds (including RMB funds managed by foreign institutions acting as GPs), owner occupiers, and certain domestic enterprises and individuals with strategic investment plans. As more USD denominated real estate investment funds approach maturity, foreign investors facing increasing pressure to exit have become more receptive to modest discounts on their disposals. Accordingly, we anticipate seeing more exit transactions involving foreign investors selling their existing portfolios at attractive pricing.

Although the office property market continued its moderate recovery, it will take time to absorb the substantial supply volume accumulated over the past few years. As a result, overall vacancy rates remain high, rental yields and investment returns are relatively low, and landlords are primarily adopting a "volume for price" strategy. Leasing activity has largely been driven by existing tenant renewals or relocations.

The retail property market continued to stabilise and recover, with vacancy rates in prime commercial properties gradually declining as consumer confidence strengthened. Nevertheless, overall rents remain under pressure, with shopping centres in core areas and prime locations significantly outperforming the market average. The current favourable financing environment is conducive to investors with a long term positive outlook on retail property development increasing their investment in the market.

In the industrial property sector, leasing demand for logistics and warehousing projects has seen a modest rebound. Occupancy rates and rents in core logistics hubs show signs of stabilisation and growth; however, the sector continues to face headwinds, with pronounced regional divergence. At the same time, various localities are progressively strengthening incentives for foreign investment so that more foreign investors can gain access to more favourable investment terms.

Meanwhile, rapid growth in technology, new energy, and new infrastructure sectors - and the accelerating global expansion of Chinese companies - are driving strong demand for data centers (IDC). This trend gained real momentum in 2025, and we expect it to continue through 2026.

Last year also witnessed the rapid development of China's REIT market. In just a few years, the total market capitalisation of China's public REIT has surpassed CNY 200 billion, propelling it to become the largest REIT market in Asia and the second largest globally, with particularly strong performance in the data centre, consumer infrastructure, and rental housing sectors.

In the commercial real estate REIT space, new policy guidelines introduced at the end of 2025 paved the way for commercial real estate REIT. By May 2026, nearly 20 original sponsors had submitted registration applications, with overall subscription levels for approved products reflecting investor confidence in commercial real estate REIT. Going forward, we expect participation to expand further, including from both domestic and international investors. The long-term outlook for China's REIT market remains highly promising. As more projects enter the market, underlying asset types diversify, and the investor base broadens, a multi-tiered REIT ecosystem is taking shape. With continued supportive policies, REIT will remain a key channel for both capital exit and investment.

## Deal Highlights

微领地
青 | 年 | 社 | 区

Represented **Vlinker** in its disposal of a large scale rental housing project in Shanghai to Zhonghui Life Insurance.

TISHMAN SPEYER
铁狮门

Represented **Tishman Speyer** in connection with the joint development and asset disposal of its Crystal Gateway project in Changning District, Shanghai.

Morgan Stanley

Represented **Morgan Stanley** in the portfolio sale of its nine logistics project portfolio to a RMB fund jointly sponsored by Dajia Insurance and Morgan Stanley as co general partners.

PAG

Represented **PAG** and other investors in establishing a fund to acquire Wanda Plaza assets owned by Dalian Wanda.

# FINANCING STRUCTURES AND CAPITAL SUPPORT

## Opportunities Emerge, Challenges Remain

### Regulatory Landscape and Market Trends

The market for banking and finance is filled with both challenges and opportunities. Our strategic focus—as well as the business priorities of our domestic and international clients—shifts in response to market fluctuations caused by these challenges and opportunties.

After last year's sluggish M&A financing market, the market, including cross border M&A, has shown signs of recovery this year; however, the execution of individual transactions remains fraught with challenges and uncertainties.

While certain China backed companies are pursuing privatisation or returning to the A share market, the establishment of red chip structures by domestic enterprises seeking offshore financing and listing opportunities has also become a hot topic of market discussion.

In addition, the approval and registration requirements for medium and long term external debt under NDRC Circular No. 56 remain one of the most closely watched topics in the market.

This year, we have also continued to focus on cross border acquisitions led by SOE backed enterprises, green finance, fintech financing, and M&A financing in the context of bankruptcy and restructuring.

Furthermore, against the backdrop of dramatic changes in the real estate market, we have been involved in numerous debt restructurings and non performing asset acquisitions in the real estate sector.

From 2025 to 2026, global aviation supply chains have remained tight, driving a significant increase in the value of assets such as aircraft engines and key aviation materials. Aviation assets are undergoing a profound value reshaping, with trading activity becoming increasingly active. Notably, overseas aviation assets—through pathways such as retrofitting—are being effectively redirected into the air cargo and logistics sector, significantly enhancing their remarketing and secondary circulation. This trend is unlocking new avenues for value growth in aviation assets.

### Deal Highlights

Represented **Taibang Biological** in obtaining USD loans from Chinese banks (including Ping An and SPD Bank) for the refinancing of privatisation loans to achieve financial and tax optimisation

Represented **SPD Bank Shanghai Branch** and **SPD Silicon Valley Bank** in connection with an overseas special purpose vehicle under Vivo Capital for the acquisition of AGNO Limited

Represented **Zhejiang Huayou Cobalt Co., Ltd.** in a multi-currency and sustainability-linked loan facility to optimise domestic and offshore RMB liquidity to the greatest extent possible

Represented **CDB Leasing Co., Ltd.** in leasing projects involving the introduction of dozens of new aircraft from multiple airlines, covering models including the domestically produced C919 and the mainline models of Airbus and Boeing. By utilising a combination of finance leases and operating leases, the projects support the expansion and modernisation of China's civil aviation fleet and the introduction of domestically manufactured large aircraft

Represented **HSBC Hong Kong** in providing a syndicated loan facility of approximately USD 800 million to the Irish offshore platform of a major domestic financial leasing company, covering more than ten aircraft

# CORPORATE GOVERNANCE AND EMPLOYMENT

## Evolving Toward Greater Precision

### Regulatory Landscape and Market Trends

Over the past year, the most significant development in the labour law landscape was the Supreme People's Court issuing the *Interpretation (II) of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labour Dispute Cases* ("**Judicial Interpretation II**"), which took effect on 1 September 2025. At the same time, the Ministry of Human Resources and Social Security (MHRSS) also issued new regulations. Overall, these developments reveal a clear trend in labour rules continually evolving toward greater precision.

- In response to the recurring debate over "abuse of non-compete restrictions," the Judicial Interpretation II stipulates that individuals subject to non-compete obligations must possess a certain level of access to confidential information, effectively narrowing the scope of applicable personnel. In a complementary move, the General Office of the MHRSS issued the *Guidelines on Compliance with Non-Compete Obligations for Enterprises* on 4 September 2025, providing guidance on issues relating to the implementation of non-compete obligations by enterprises.
- The Judicial Interpretation II provides specific circumstances under which courts may determine that "the labour contract can no longer be performed" in cases where an enterprise unlawfully terminates or rescinds a labour contract and the employee seeks reinstatement. This provision curtails judicial discretion in this regard and imposes higher compliance standards on enterprises when deciding to rescind or terminate labour contracts.
- The MHRSS and four other government departments jointly issued the *Interim Provisions on the Basic Rights and Interests of Workers Beyond the Statutory Retirement Age* on 10 May 2026, effective 1 July 2026. According to the provisions, workers who have exceeded the statutory retirement age will be entitled to protections under labor law regarding wages, rest and leave, and occupational safety and health; however, for other matters, such as termination agreements, civil law principles will continue to apply.

### Case Highlights

- Obtained a favourable award for a high-tech enterprise in arbitration by establishing that a former technology employee fell within the scope of personnel covered by non-compete obligations by virtue of that employee being subject to confidentiality obligations.
- Assisted a multinational enterprise in terminating employment contracts during an internal organisational restructuring and obtained a favourable outcome in legal proceedings brought by an employee alleging unlawful termination.
- Represented a state-owned financial enterprise in implementing a special project that involved withholding and clawing back performance-based compensation from current and former employees.

# WEALTH PLANNING AND FAMILY SUCCESSION

## Compliance First, Resilience Essential

### Regulatory Landscape and Market Trends

Under the increasingly complex and dynamic global regulatory landscape, wealth management for entrepreneurs and ultra-high-net-worth individuals is facing an unprecedented "new normal" that demands professionals in private wealth management cultivate a more forward-looking and holistic vision:

- Prioritize compliance and embrace transparency: The big data era has fundamentally reshaped regulatory ecosystems. Global coordination has increased in areas like tax information exchange and anti-money laundering, resulting in an established trend of efficient collaboration and data sharing among multinational regulatory bodies. By proactively understanding and adapting to this regulatory climate and by recognizing compliance as the cornerstone of wealth management, we effectively mitigate risks and construct robust safeguards for multigenerational family legacies and sustainable business operations.
- Cultivate resiliency and manage cross-border complexities: The asset allocation of ultra-high-net-worth individuals is globalized, with wealth structures often spanning multiple jurisdictions. In this cross-border ecosystem full of complex variables, risks come from multiple dimensions, including law, tax and geopolitics. In this environment, individuals can only build resilient wealth with legal practitioners who can integrate local expertise and international experience.

As pioneering and insightful market practitioners, our commitment to solving complex and novel issues has positioned us as the preferred legal team for entrepreneurs and ultra-high-net-worth individuals.

**Our Services include:**

- Estate planning
- Domestic and offshore trusts
- Shareholding structures for family enterprises from a succession planning perspective
- Family governance
- Philanthropic giving
- Family law
- Cross-border estate inheritance (including related dispute resolution)

# TAX PLANNING AND STRUCTURING

## Tax Regime Refined, Enforcement Strengthened

### Regulatory Landscape and Market Trends

Since the second half of 2025, China's tax regime has progressed on substantive and procedural fronts. On the substantive front, the *Value Added Tax Law* and its implementing regulations have officially taken effect, establishing the foundational framework for the VAT regime. On the procedural front, an intelligent regulatory system centred on "data driven tax governance" has been constructed by China's tax authorities and supported by data penetration capabilities under the Golden Tax System Phase IV, mandatory reporting of tax related information by internet platforms, cross border exchanges of tax information, and multi agency joint enforcement. The enforcement focus has extended from traditional industries to the platform economy, cross border e commerce, high net worth individuals, and other areas.

- **Implementation of the new VAT legal framework**. The comprehensive new legal framework centred on the *Value-Added Tax Law* and its implementing regulations has been formally implemented, with supporting normative documents on export transactions, preferential policy transition, and tax scope, providing an unified legal framework for VAT enforcement.
- **Formal establishment of the tax information reporting system for internet platforms**. Tax governance in the platform economy, cross-border e-commerce, and other sectors has shifted from relying on individual filings to institutionalised governance underpinned by platform coordination and data support.

  Since the second half of 2025, policies and regulations in the cross-border e-commerce tax supervision space have been rapidly issued. For example, the *Provisions on the Reporting of Tax-Related Information by Internet Platform Enterprises* require platform enterprises to submit tax-related information of business operators and practitioners on their platforms — including identity and income information — to tax authorities on a quarterly basis. Over 7,000 domestic and foreign platform enterprises have already actively fulfilled their tax-related information reporting obligations.
- **Heightened regulatory scrutiny of high-net-worth individuals and specific industries**. Under the Common Reporting Standard (CRS) framework, financial account information of Chinese tax residents held overseas — including in jurisdictions such as Hong Kong SAR, Singapore, the British Virgin Islands (BVI), and the Cayman Islands — is automatically exchanged with Chinese tax authorities. Offshore trusts, passive non financial entities, and similar structures may be pierced to identify their ultimate controlling persons. Global income — including overseas investment returns and trust distributions — must be declared and taxed in accordance with law.

  Persistent enforcement efforts continue in key sectors including celebrities and internet influencers, aesthetic medicine (cosmetic surgery), and live-streaming.

  Criminal acts — including fraudulent issuance of value-added tax (VAT) invoices, tax fraud, and illegal claims for export tax rebates — are subject to routine, coordinated crackdowns by eight national authorities: the State Taxation Administration, the Ministry of Public Security, the Supreme People's Court, the Supreme People's Procuratorate, the People's Bank of China, the General Administration of Customs, the State Administration for Market Regulation, and the State Administration of Foreign Exchange.

Under the new tax administration landscape, tax authorities will significantly increase both the volume and frequency of risk alerts issued to taxpayers. Enterprises should therefore strengthen internal tax compliance controls, conduct regular self-assessments of tax risks, and proactively respond to risk alerts and potential tax inspections.

### Our services include:

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