

**STRICTLY PRIVATE & CONFIDENTIAL**

Date: May 19, 2025

**XIAMEN JIHONG CO., LTD (the “Company”)**  
No. 9 Putou Road, Dongfu Industry Park II  
Haicang District  
Xiamen, Fujian Province  
PRC

**CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED (“CICC”)**  
29/F One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB INTERNATIONAL CAPITAL LIMITED (“CMBI”)**  
45th Floor, Champion Tower  
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(CICC and CMBI *(in alphabetical order)* as joint sponsors and representatives of the several Hong Kong underwriters named in Schedule 1 of the Hong Kong Underwriting Agreement (the “**Hong Kong Underwriters**”) and the persons named in Schedule I of the International Underwriting Agreement (the “**International Underwriters**”); the Company, CICC, CMBI *(in alphabetical order)*, the Hong Kong Underwriters and the International Underwriters, collectively, the “**Addressees**”)

Dear Sirs,

**Xiamen Jihong Co., Ltd – Hong Kong Listing of H Shares**

We have acted as special Philippine counsel to the Company in connection with the proposed listing of its H shares (the “**Proposed Listing**”) on the Main Board of the Stock Exchange of Hong Kong (the “**Stock Exchange**”).

For purposes of this opinion, we have assumed that the description of the manner in which the Company conducts its business in the Philippines as set out in **Annex A** is accurate. That summary is based on statements of fact provided to us by the Company (including responses to our Due Diligence Request List dated January 11, 2024 (the “**Due Diligence Request List**”), which the Company reconfirmed on May 14, 2025, and queries relayed to representatives of the Company), without independent verification or investigation of the matters stated therein. Nothing has come to our attention that leads us to believe, or gives us reasonable grounds to believe, that such statements are not accurate or complete.

In giving this opinion, we have also assumed, in relation to the information referred to above, that: (i) no material information or documents have been withheld from us whether deliberately or inadvertently, although nothing has come to our attention which leads us to believe, or gives us reasonable grounds to believe that any such documents or information have been withheld; and (ii) no other arrangements have been entered by the Company of which we are not aware that may modify or supersede our understanding of how the Company conducts its business in the Philippines.

The opinions set forth herein are limited to matters of Philippine law as applied by Philippine courts as at the date hereof, and no opinion is expressed as to the laws of any jurisdiction other than the Republic of the Philippines.

This opinion is provided to the Addressees. We agree that a copy of this opinion may be disclosed to the Stock Exchange, the Securities and Futures Commission of Hong Kong and/or the China Securities Regulatory Commission for the purpose of the Proposed Listing.

## I. Legal Opinion

Based upon the foregoing and subject to paragraph II (**Qualifications to Legal Opinion**) below, we are of the opinion that:

### A. Legal Compliance

- (1) Subject to the qualifications in paragraph II(a) below, no licenses, permits, certificates, authorizations and/or registrations are required for the Company to conduct its operations (including through mobile applications and websites) as they are presently conducted (as described in **Annex A**).
- (2) Subject to the qualifications in paragraphs II(a) and II(b) below, the operations of the Company in the Philippines (including through mobile applications and websites) comply with all applicable laws and regulations in the Philippines (including Philippine corporation and investment law import and export laws, and data protection laws).
- (3) Subject to the qualifications in paragraph II(a) below and based on the Company's account of how it conducts its business (as described in **Annex A**), Philippine environmental, insurance and anti-trust laws are inapplicable to its operations.
- (4) Subject to the qualifications in paragraph II(a) below, the products of the Company need not be registered, approved, or recognized by any relevant competent authority in the Philippines.
- (5) Based on the Company's responses to our Due Diligence Request List and subject to the qualifications in paragraph II(a) below, the business operations of the Company in the Philippines (including through mobile applications and websites) have not been and are not likely to be subject to any suspension, dispute or penalty imposed by the government or regulatory bodies.
- (6) As of the date hereof, the Company is not considered a designated person under applicable sanctions regulations in the Philippines ("**Designated Person**"). Unless the Company is subsequently classified as a Designated Person, the goods sold by the Company into the

Philippines are not subject to local sanctions regulations. A Designated Person refers to: (a) any person or entity designated as a terrorist, one who finances terrorism, or a terrorist organization or group under the applicable United Nations Security Council Resolution or by another jurisdiction or supra-national jurisdiction; (b) any person, organization, or group of persons designated under paragraph 3, Section 25 of the Anti-Terrorism Act of 2020 (Republic Act No. 11479); or (c) any person or entity designated under UNSC Resolutions No. 1718 (2006) and 2231 (2015).

- (7) Subject to the qualifications in paragraph II(c) below, we are not aware of any decree applicable to the Company of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company that the Company must comply with.
- (8) Based on the Company's responses to our Due Diligence Request List, the Company does not have any representative office, branch office, or sales office in the Philippines.

*B. Material Contracts*

- (9) Based on the Company's responses to our Due Diligence Request List, the Company has no material contracts in respect of its business operations in the Philippines. For purposes of this opinion, "material contracts" are framework agreements, contracts entered into outside the ordinary course of business involving an amount of HK\$1,000,000 or above, or contracts entered into in the ordinary course of business involving an amount of HK\$2,000,000 or above, that are governed by Philippine law or with parties incorporated in the Philippines, or the subject matter of which is related to business conducted in the Philippines.

*C. Assets, Real Properties and Intellectual Property Rights*

- (10) Based on the Company's responses to our Due Diligence Request List: (a) the Company has no assets, real properties (either owned or leased) or intellectual property (including patents, trademarks, trade names, know-how, and other similar intellectual property rights, and is not in the process of applying for the registration of any intellectual property) in the Philippines; and (b) the Company does not have any license and sublicense agreements, technology transfer agreements, or other similar agreements in respect of its operations.
- (11) Based on the Company's responses to our Due Diligence Request List, the Company has not received any notices, letters or correspondence regarding infringement or breach of intellectual property laws purported to be owned by the Company.

*D. Tax*

- (12) Based on the Company's responses to our Due Diligence Request List and subject to applicable permanent establishment and income tax-related rules and regulations (as set out in the Agreement dated November 18, 1999 between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income as well as the National Internal Revenue Code of 1997, as amended), the Company does not have a permanent establishment or a fixed place of business through which the business of the Company is wholly or partly carried on in the Philippines. Given the absence of a permanent establishment in the Philippines: (i) the Company is not subject to the

registration requirements imposed by Philippine taxing authorities; and (ii) there shall be no attribution of income or profits to the Philippines which may be subject to Philippine taxes.

- (13) Based on the Company's responses to our Due Diligence Request List, the Company is not required to obtain any tax compliance and clearance confirmations.

*E. Disclosure in Prospectus*

- (14) The statements in the "Regulatory Overview" and "Business" sections of the prospectus to be issued by the Company in connection with the Proposed Listing insofar as they purport to constitute summaries of the relevant Philippine laws or legal conclusions with respect thereto, constitute true and accurate summaries of such matters with no material omission and do not contain matters that are false or misleading. To the extent of our knowledge, there are no foreseeable future changes in these laws and regulations which may affect the Company's business or operations in the Philippines up to the date of this opinion.

## II. Qualifications to Legal Opinion

This opinion is subject to the following qualifications:

- (a) **General licensing requirements** –A foreign corporation will have the right to transact business in the Philippines only after it obtains a license in accordance with the Revised Corporation Code of the Philippines (Republic Act No. 11232, as amended) (the "RCC"), *i.e.*, a primary license from the Philippine Securities and Exchange Commission ("SEC"), which is a license to do business in the Philippines.

A foreign corporation intending to do business in the Philippines may obtain a license from the SEC to establish a Philippine branch. Alternatively, a foreign corporation may do business in the Philippines indirectly through a domestic subsidiary, *i.e.*, a corporation incorporated under Philippine laws and owned and controlled by the foreign corporation. However, in the latter case, it is the domestic subsidiary which will be doing business in the Philippines and not the foreign corporation. The requirements, process, and timelines for establishing a branch and incorporating a domestic subsidiary are set out in **Annex B**. If all applicable requirements are complied with, it is expected that the SEC will approve the relevant application.

A foreign corporation transacting business in the Philippines without a license will not be permitted to maintain or intervene in any action or proceeding in any court or administrative agency in the Philippines. However, it may be sued or proceeded against before any court or administrative agency on any valid cause of action recognized under the Philippine law. In addition, the RCC provides that violations of any of its provisions, rules or regulations will be punished by a fine ranging from PhP5,000 to PhP2,000,000, and not more than PhP1,000 for each day of continuing violation but in no case to exceed PhP2,000,000, and the SEC may issue a permanent cease and desist order. On the other hand, the Foreign Investments Act of 1991 (Republic Act No. 7042, as amended) ("FIA") provides that any violation of any of its provisions will result in the offender being subject to the following sanctions: (i) fine not exceeding PhP100,000.00; (ii) if the offense is committed by a juridical person, fine in an amount not exceeding ½ of 1% of total paid-in capital but not more than PhP5,000,000 and the president and/or officials responsible

therefor will also be subject to a fine not exceeding PhP200,000; and (iii) forfeiture of all benefits granted under the FIA.

We are not aware, however, of any instance where the penal sanctions described above have been applied to a non-resident foreign corporation doing business in the Philippines without a license or to the officers of such foreign corporation.

The phrase “doing business” in the Philippines is broadly defined and is characterized by way of examples. The FIA provides that among the acts constituting “doing business” are: (i) soliciting orders, or service contracts; (ii) opening offices, whether called “liaison” offices or branches; (iii) appointing representatives or distributors domiciled in the Philippines or who in any calendar year stay in the country for a period or periods totaling one hundred eighty (180) days or more; (iv) participating in the management, supervision or control of any domestic business, firm, entity or corporation in the Philippines; and (v) any other act or acts that imply a continuity of commercial dealings or arrangements, and contemplate to that extent the performance of acts or works, or the exercise of some of the functions normally incident to, and in progressive prosecution of, commercial gain or of the purpose and object of the business organization.

Philippine jurisprudence has established a fact-driven standard to determine what activities constitute “doing business.” The Philippine Supreme Court has ruled that “[n]o general rule or governing principle can be laid down as to what constitutes ‘doing’ or ‘engaging in’ or ‘transacting’ business. Indeed, each case must be judged in the light of its peculiar circumstances.”

The foregoing notwithstanding, there is jurisprudence to the effect that transactions involving Philippine citizens or residents, all of the elements of which take place outside the Philippines, do not constitute “doing business” in this country. Applying this “point of contact” test, for as long as all the elements of the transactions take place outside the Philippines, a non-resident contracting party would not be deemed to be doing business in the Philippines. In this connection, our understanding from representatives of the Company is that title to goods sold to Philippine customers passes to such customers upon their receipt of such goods in the Philippines. This circumstance may lead a Philippine regulator to conclude that the transaction is performed within the Philippines and, given the number of transactions and regularity with which we understand the Company transacts with Philippine residents, warrant a finding that the Company is engaged in business in the Philippines (and thus, subject to local registration and other requirements).

***Regulation of retail trade enterprises*** – Further, to the extent that the Company is considered as engaging in retail trade, the Company may need to register with the SEC and comply with the following conditions:

1. The Company should have a minimum paid-up capital of PhP25 million, which it must maintain in the Philippines at all times.
2. The Company’s country of origin does not prohibit the entry of Filipino retailers.
3. In case the Company will engage in retail trade through more than one (1) physical store, the minimum investment per store must be at least PhP10 million.

A violation of the Retail Trade Liberalization Act of 2000 (Republic Act No. 8762, as amended) is punishable by imprisonment of not less than four (4) years to six (6) years and a fine of not less than PhP1 million but not more than PhP5 million. However, if the foregoing requirements are complied with, it is expected that the SEC will approve the relevant application to engage in retail trade.

***Regulation of internet transactions*** – Notably, the Internet Transactions Act (Republic Act No. 11967) (“**ITA**”) was enacted into law on December 5, 2023. Under the ITA, a person who engages in e-commerce, who avails of the Philippine market to the extent of establishing “minimum contacts” in the Philippines, will be subject to applicable Philippine laws and regulations and cannot evade legal liability in the Philippines despite lack of presence in the country. The Department of Trade and Industry (“**DTI**”) will exercise regulatory jurisdiction as to the use of internet for conducting e-commerce by e-marketplaces, online merchants, e-retailers, digital platforms, and third-party platforms. The ITA imposes administrative penalties for violation of its provisions.

Under the implementing rules and regulations of the ITA (“**ITA Rules**”), the phrase “Minimum Contracts” means “any touchpoint or interaction with any potential or actual customer, whether an individual, partnership, corporation or business, located in the Philippines regardless of residence or citizenship. Minimum contacts are deemed established if users in the Philippines are allowed to access and use a digital platform, and permit the users to exchange information, goods or services while in the Philippines.” Given the broad definition of “Minimum Contacts” under the ITA Rules, there is a risk that the Company may be subject to its provisions.

Among the entities subject of the ITA and the ITA Rules is an “e-retailer,” which refers to “a natural or juridical person selling or offering for sale goods or services directly to online consumers through its own website, webpage, or application although the e-retailer may have transactions that are not online.” Based on this definition, the Company may be considered an “e-retailer” under the ITA and ITA Rules.

A person or entity that is classifiable as an e-retailer is subject to the following obligations under the ITA Rules:

- (a) *Compliance with the ITA and Philippine laws* – it must ensure that it shall at all times comply with the provisions of the ITA and the ITA Rules; neither may it transact with any platform not in compliance with any applicable Philippine law or rule.
- (b) *Price Disclosure* – it must indicate the price of goods and services offered consistent with the Consumer Act of the Philippines (Republic Act No. 7394, as amended), and other relevant laws, rules, or regulations.
- (c) *Conditions of Goods* – it must ensure that the goods received by the online consumer:
  - (i) are in the same condition, type, quantity, and quality as described and stated and, in applicable circumstances, that such goods possess the functionality, compatibility, interoperability, and fitness for the purpose for which they were intended;

- (ii) are in the same condition, type, quantity, and quality of a sample, picture, or model of the goods shown by the e-retailer upon request of the online consumer, or of additional descriptions or specifications provided by the e-retailer upon inquiries made by the online consumer; and
  - (iii) are also fit for the particular purpose for which the online consumer requires them, as communicated to the e-retailer at the time of the perfection of the contract, and which the e-retailer has accepted.
- (d) *Conformity with Advertising and Functionality* – all the goods shall:
  - (i) be delivered together with their accessories, including all other packaging, installation inclusions, any user manual, or other instructions as advertised or described, if applicable, with the relevant information stated in the packaging, printed, or written in Filipino and/or English; and
  - (ii) possess qualities and performance capabilities, including functionality, compatibility, and interoperability, that are standard and normal in goods of the same type, which the online consumer may expect given its nature and considering any public statement or testimonial made by or on behalf of the e-retailer or other persons in earlier links of the chain of transactions, including the producer, unless the e-retailer shows that:
    - (1) the e-retailer was not, and could not have been, reasonably aware of the statement in question;
    - (2) by the time of the conclusion of the contract, the statement had already been corrected; or
    - (3) the decision to buy the goods could not have been influenced by the statement.
- (e) *Digital Goods or Services Provider* – where the e-retailer is a digital goods or services provider, it shall ensure that such digital goods or services have the qualities and performance features, in relation to functionality, compatibility, interoperability, accessibility, continuity, and security, which are standard and normal for digital goods or services of the same type as advertised or described.
- (f) *Duty of E-Retailer vis-à-vis Digital Platforms* – where the transactions involve a digital platform that offers a performance of a service, the e-retailer shall ensure the complete performance of the same in accordance with the contract and as advertised.
- (g) *Special Rules of E-Retailers* – an e-retailer shall:
  - (i) Publish on its homepage the following:
    - (1) Its corporate and trade or business name, as may be appropriate;
    - (2) Address of the physical shop or place of business;

- (3) Contact details of the e-retailer, which must include a mobile or landline number and a valid e-mail address to ensure direct and efficient communication with online consumers; and
- (4) In instances when the services offered by an e-retailer is connected with the exercise of a regulated profession, the details of membership in any professional body or similar relevant institution with which the e-retailer is registered or otherwise is a member of.

The foregoing shall be submitted to the E-Commerce Bureau and must be accompanied by at least one (1) government identification card or registration document as valid proof of identity.

- (ii) Take the necessary precautions to protect the data privacy of consumers, at all times, in accordance with the Data Privacy Act of 2012 (Republic Act No. 10173) (“**DPA**”), and comply with the minimum information security standards set by the E-Commerce Bureau, National Privacy Commission (“**NPC**”), and other issuances of relevant government agencies. E-retailers shall be covered by the provisions of the DPA and issuances by the NPC.
  - (h) *Delivery Service* – where the e-retailer is engaged in delivery service, it shall have the right to require its online consumers to provide at least a valid e-mail address or mobile phone number before entering into a transaction.
  - (i) *Sales Invoices* – E-retailers shall issue paper or electronic invoices for all sales.
  - (j) *Internal Redress Mechanism* – E-retailers shall have in place an accessible and efficient redress mechanism for handling complaints from their clients.
- (b) **Data privacy law and regulations** -- The DPA has extraterritorial application and applies to an act done or practice engaged in and outside of the Philippines by an entity if:
- (1) The act, practice or processing relates to personal information about a Philippine citizen or a resident;
  - (2) The entity has a link with the Philippines, and the entity is processing personal information in the Philippines or even if the processing is outside the Philippines as long as it is about Philippine citizens or residents such as, but not limited to, the following:
    - (i) A contract is entered in the Philippines;
    - (ii) A juridical entity unincorporated in the Philippines but has central management and control in the country; and
    - (iii) An entity that has a branch, agency, office or subsidiary in the Philippines and the parent or affiliate of the Philippine entity has access to personal information; and

- (3) The entity has other links in the Philippines such as, but not limited to:
- (i) The entity carries on business in the Philippines; and
  - (ii) The personal information was collected or held by an entity in the Philippines.

As the Company processes personal information about Philippine citizens and residents and has a link in the Philippines through the agreements that it enters into with these Philippine resident customers, the DPA will apply to such processing.

Under the DPA, the processing of personal information shall be permitted only if not otherwise prohibited by law, and when at least one (1) of the following conditions exists:

- (1) The data subject has given his or her consent;
- (2) The processing of personal information is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract;
- (3) The processing is necessary for compliance with a legal obligation to which the personal information controller is subject;
- (4) The processing is necessary to protect vitally important interests of the data subject, including life and health;
- (5) The processing is necessary in order to respond to national emergency, to comply with the requirements of public order and safety, or to fulfill functions of public authority which necessarily includes the processing of personal data for the fulfillment of its mandate; or
- (6) The processing is necessary for the purposes of the legitimate interests pursued by the personal information controller or by a third party or parties to whom the data is disclosed, except where such interests are overridden by fundamental rights and freedoms of the data subject which require protection under the Philippine Constitution.

On the other hand, the processing of sensitive personal information<sup>1</sup> and privileged information<sup>2</sup> shall be prohibited, except in the following cases:

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<sup>1</sup> The term “sensitive personal information” refers to “to personal information:

- (1) About an individual’s race, ethnic origin, marital status, age, color, and religious, philosophical or political affiliations;
- (2) About an individual’s health, education, genetic or sexual life of a person, or to any proceeding for any offense committed or alleged to have been committed by such person, the disposal of such proceedings, or the sentence of any court in such proceedings;
- (3) Issued by government agencies peculiar to an individual which includes, but not limited to, social security numbers, previous or current health records, licenses or its denials, suspension or revocation, and tax returns; and
- (4) Specifically established by an executive order or an act of Congress to be kept classified.”

<sup>2</sup> The term “privileged information” refers to “any and all forms of data which under the Rules of Court and other pertinent laws constitute privileged communication.”

- (i) The data subject has given his or her consent, specific to the purpose prior to the processing, or in the case of privileged information, all parties to the exchange have given their consent prior to processing;
- (ii) The processing of the same is provided for by existing laws and regulations: *Provided*, That such regulatory enactments guarantee the protection of the sensitive personal information and the privileged information: *Provided, further*, That the consent of the data subjects are not required by law or regulation permitting the processing of the sensitive personal information or the privileged information;
- (iii) The processing is necessary to protect the life and health of the data subject or another person, and the data subject is not legally or physically able to express his or her consent prior to the processing;
- (iv) The processing is necessary to achieve the lawful and noncommercial objectives of public organizations and their associations: *Provided*, That such processing is only confined and related to the *bona fide* members of these organizations or their associations: *Provided, further*, That the sensitive personal information are not transferred to third parties: *Provided, finally*, That consent of the data subject was obtained prior to processing;
- (v) The processing is necessary for purposes of medical treatment, is carried out by a medical practitioner or a medical treatment institution, and an adequate level of protection of personal information is ensured; or
- (vi) The processing concerns such personal information as is necessary for the protection of lawful rights and interests of natural or legal persons in court proceedings, or the establishment, exercise or defense of legal claims, or when provided to government or public authority.

The Company's Privacy Policy<sup>3</sup> provides that the Company "will only collect and use your personal information in the manner proposed in th[e] privacy statement" and adds that it will "collect information from you when necessary or in connection with the transaction." Accordingly, the Company's processing of personal information of Philippine resident customers (namely, the customers' names, addresses, phone numbers and e-mail addresses) may be considered as "the processing of personal information [that] is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract." – as noted above, this is one of the conditions that authorize the processing of personal information.

However, to the extent that the Company processes sensitive personal information of Philippine resident customers (for example, the customers' date of birth, sex, and government ID information), the Company should obtain the express consent of such Philippine resident customers in an appropriate consent form or its equivalent. We understand, however, that notwithstanding references in the Privacy Policy to "(5) date of birth," "(6) sex" and "id number," Philippine resident customers can order from the

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<sup>3</sup> Privacy Policy. [https://ph.sw7-liuxiu.com/article/showArticle/article\\_id/675573?coll\\_id=1003756250&](https://ph.sw7-liuxiu.com/article/showArticle/article_id/675573?coll_id=1003756250&). Last accessed on April 30, 2025.

Company without providing this information and, therefore, it is not necessary that customers provide their date of birth, sex and id number to order through the website. In fact, in the website checkout,<sup>4</sup> date of birth, sex and id number are not among the information required by the Company.

We also understand that the Company does not have any employees in the Philippines and its processing of personal information is not likely to pose a risk to the rights and freedoms of data subjects, is occasional, and does not include sensitive personal information of at least one thousand (1,000) individuals. Accordingly, the Company is not mandatorily required to register its data processing system in the Philippines.

The Company has advised us that it utilizes artificial intelligence technology to generate marketing content that is used in its advertisements placed on various social media platforms. Under Philippine law, the use of artificial intelligence may be classified as an “automated decision-making” tool.<sup>5</sup> Under the DPA Implementing Rules and Regulations (“**DPA Rules**”), where a Personal Information Processor (“**PIP**”) (such as the Company) uses artificial intelligence as (1) the sole basis for making decisions about a data subject, and those decisions (2) significantly affect the data subject, then such personal information controller is required to notify the NPC of its automated processing operations or use of artificial intelligence. Noncompliance with the notification requirement is subject to an administrative fine of not less than Php50,000 but not more than Php200,000 (approximately US\$900 to US\$3,600).

Recently, the NPC issued NPC Advisory No. 2024-04, affirming that PIPs must comply with the obligations set under the DPA, DPA Rules, and NPC issuances when artificial intelligence systems process personal data, including adhering to the general privacy principles, upholding the rights of the data subjects, determining the appropriate lawful basis for processing, and implementing security measures.

The Company has confirmed to us that (i) although its artificial intelligence technology uses the personal information of Philippine residents to generate marketing content, such content is anonymized and desensitized such that the specific data subjects to which the information relates is unidentifiable, and (b) in any event, the marketing content is not individually tailor-made or targeted for a specified Philippine resident. On the basis of these representations, the Company’s use of artificial intelligence should not trigger the notification requirement mentioned above. However, as a PIP, the Company remains obligated to adhere to general privacy principles, uphold the rights of data subjects, determine the appropriate lawful basis for processing, and implement necessary security

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<sup>4</sup> Checkout. <https://ph.sw7-liuxiu.com/checkout>. Last accessed on April 30, 2025.

<sup>5</sup> This is defined as “a wholly or partially automated processing operation that can make decisions using technological means totally independent of human intervention; automated decision-making often involves profiling.” NPC Circular No. 2022-04-01.

measures. Based on our review of the Company's Privacy Policy<sup>6</sup>, the Company appears to comply with the requirements of local data privacy regulations. However, we have no information on whether (as a factual matter) the Company's operations comport with such requirements.

- (c) There is no central repository for pending litigations in the Philippines. Individual requests must be sent to all courts to determine whether there are pending litigations against a particular company. It is common practice to send requests for certification of no-pending case with the court having jurisdiction over the place where the company's principal office is located.

However, as litigation search is limited to the court having jurisdiction over the principal office of the company, there is no assurance that there are no cases pending before other courts.

Further, we understand that the Company does not have a local presence in the Philippines. Accordingly, this practice cannot apply to the Company's case.

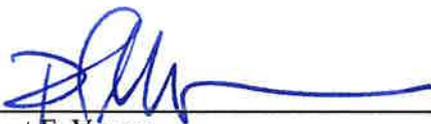
In any event, for litigation matters, it is also common practice to rely on the disclosures by the Company in its financial statements and in the reports of its external counsel. In this connection, based on the Company's responses to our Due Diligence Request List, the Company does not have pending litigation in the Philippines.

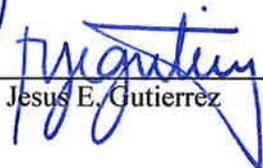
This opinion is being delivered solely for your benefit and may not be relied upon in any manner or for any purpose by any other person without our prior written consent.

Yours faithfully,

**SYCIP SALAZAR HERNANDEZ & GATMAITAN**

By:

  
\_\_\_\_\_  
Philbert E. Varona  
Partner

  
\_\_\_\_\_  
Ricardo Jesus E. Gutierrez  
Partner

<sup>6</sup> Privacy Policy. [https://ph.sw7-liuxiu.com/article/showArticle/article\\_id/675573?coll\\_id=1003756250&](https://ph.sw7-liuxiu.com/article/showArticle/article_id/675573?coll_id=1003756250&). Last accessed on April 30, 2025.

## Annex A

### Company's Philippine Business

Based on the description of the Company's business model as set out in the email dated January 8, 2024 sent to us by Shearman & Sterling LLP, which the Company reconfirmed on May 14, 2025, and the Company's responses to our follow-up questions, we understand that:

- (a) the Company is not organized under Philippine law;
- (b) the Company does not have any Philippine subsidiaries, Philippine branch or any corporate vehicle in the Philippines;
- (c) the Company does not own, lease or otherwise use any assets (whether tangible or intangible, *e.g.*, in the latter case, intellectual property) in the Philippines;
- (d) the Company does not have a fixed place of business in the Philippines which has the function of managing its enterprise or e-commerce business;
- (e) the Company has no Philippine employees or contracts with Philippine residents, other than agreements with Philippine residents in their capacity as online purchasers on the e-commerce app(s) or website(s) operated by the Company; and
- (f) the Company collects and processes only the following information from its Philippine residents in its agreements with them: (i) names, (ii) addresses, (iii) phone numbers, and (iv) e-mail addresses.

The Company, without any self-owned physical operation in Philippines, is a social media e-commerce retailer in sale of fast fashion products like umbrella, bikes, sportswear and women makeup worldwide. Under its business model, it will advertise on social media (*e.g.*, Facebook) accessible in the Philippines, and if any of the social media platform users located in Philippines are interested in the products in these ads while using social media, they click on the ads and would be transferred onto a webpage owned by the company, and they then fill in their names, addresses, emails and phone numbers for product delivery and pay the products by PayPal/Credit Cards/Cash. Cash will be collected by the third-party logistics companies on the Company's behalf. For the purpose of these advertisements, the Company utilizes artificial intelligence technology to generate marketing content which includes texts, images, and videos. In generating these marketing contents, the Company, through artificial intelligence, may make use of the personal information of data subjects in the Philippines. However, at this stage, the personal information would have been anonymized and desensitized such that the Company can no longer identify the specific persons whose data was used in generating the marketing content. Additionally, the marketing content is not individually tailor-made or targeted for a specified Philippine resident.

Under this model, even if the Company is selling products in Philippines, the Company runs almost all their operations in China. The Company buys ads traffic from the Chinese agents of these social media and all the products the Company sells into the Philippines are made and distributed in China. The Company orders them directly from the Chinese distributors/manufacturers. The local delivery service of the products is provided by third-party logistics companies engaged by the Company, which would also be responsible to clear up any tax incurred in Philippines (like customs and any withholding taxes).

Regarding the collection of customer information, the Company's Privacy Policy<sup>7</sup> provides that the Company "will only collect and use your personal information in the manner proposed in th[e] privacy statement" and adds that it will "collect information from you when necessary or in connection with the transaction" and that "[the customer's] information will be retained only when required by law or relevant to the purpose of collection."

The Privacy Policy states that when setting up an Illeapy account, the collection also includes "5) date of birth" and "6) sex." However, we understand that Philippine resident customers can order from the Company without setting an Illeapy account and, therefore, it is not necessary that customers provide their date of birth and sex to order through the website. In fact, in the checkout of the website,<sup>8</sup> date of birth and sex are not among the information required by the Company.

The Privacy Policy also provides that the Company "has the right to ask you to fill in your id number. To provide customs internal inspection and verification to facilitate export arrangements."

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<sup>7</sup> Privacy Policy. [https://ph.sw7-liuxiu.com/article/showArticle/article\\_id/675573?coll\\_id=1003756250&](https://ph.sw7-liuxiu.com/article/showArticle/article_id/675573?coll_id=1003756250&). Last accessed on April 30, 2025.

<sup>8</sup> Checkout. <https://ph.sw7-liuxiu.com/checkout>. Last accessed April 30, 2025.

## Annex B

Below is an outline of the steps involved in the establishment by a foreign corporation of a subsidiary and a branch office in the Philippines.

### A. Subsidiary

To incorporate a domestic corporation or subsidiary organized under Philippine law (“**Philippine Subsidiary**”), an incorporation application will have to be submitted to the SEC. The following documents must be submitted:

1. *Name verification and reservation slip from the SEC*

The proposed name for use of the domestic corporation must be verified and reserved with the SEC.

This is to check if there is no existing corporation with identical or confusingly similar name as the desired name of the Philippine Subsidiary. Verification and reservation can be made online at the SEC Computerized Registration System (“**CRS**”) website (<https://crs.sec.gov.ph/>) or Electronic Simplified Processing of Application for Registration of Company (“**ESPARC**”) website (<https://secwebapps.sec.gov.ph/application>).

2. *Treasurer’s Affidavit and Proof of Inward Remittance*

This is a sworn statement by the Treasurer in relation to the amount of the total capital stock authorized which has been subscribed and which has been fully paid in cash.

This entails the opening of an account (under the name of the Treasurer; a “**Treasurer-in-Trust Account**”) with a bank in the Philippines where the paid-in capital of the stockholders of the Philippine Subsidiary would be remitted and deposited under the name of the treasurer. For the opening of a Treasurer-in-Trust Account, an application form is filed with the local bank together with documentary requirements required by such local bank (this will depend on the local bank of choice but, typically, these will include the signed Articles of Incorporation and By-laws).

Once the Treasurer-in-Trust Account is set up, and the payment for the subscription in favor of the Philippine Subsidiary has been deposited and remitted, the local bank (where the amount is remitted) will issue a Certificate of Inward Remittance (usually, a sworn bank certificate of inward remittance or a credit advice executed by an officer of the bank (of a rank not lower than Assistant Vice-President) in which the investments in cash were remitted, certifying that the investments were actually remitted and converted to Philippine pesos), which will form part of the requirements for incorporation.

Note that this treasurer-in-trust account should already be set up and the paid-in capital should already be deposited/remitted before the signed incorporation papers could be uploaded to the CRS and filed with the SEC.

We also note that additional documentary requirements may be requested if the payment for the subscription to the shares of the Philippine Subsidiary is not cash (*e.g.*, property).

### 3. *SEC Form F-100*

This is required for corporations more than forty percent (40%) equity of which is owned by non-Philippine nationals and intending to do business under the FIA. The Philippine subsidiary is required to provide general information on the nature of the applicant's business.

Under the FIA and its implementing rules and regulations, domestic market enterprises<sup>9</sup> with foreign equity of more than forty percent (40%) must submit to the SEC an application to do business under the FIA. The FIA requires that companies with capitalization of less than the peso equivalent of US\$200,000 or roughly, PhP12 million<sup>10</sup> must be at least sixty percent (60%) Filipino-owned. This may be lowered to US\$100,000 or roughly PhP6 million<sup>11</sup> if the following conditions are met: (i) introduction of advanced technology; or (ii) employment of at least fifty (50) direct employees.

If the SEC Form F-100 is executed outside the Philippines, it must be notarized and apostilled (if the country of execution is a party to the Apostille Convention) / notarized or authenticated by a Philippine diplomatic or consular officer, as applicable. Otherwise, if the SEC Form F-100 is executed in the Philippines no further authentication of said form is required.

### 4. *Articles of Incorporation and By-Laws and other documentary requirements*

Two basic incorporation documents will have to be drafted: (1) Articles of Incorporation, and (2) By-laws. The Articles of Incorporation is the basic charter of the Philippine Subsidiary which must be written in any of the official languages and duly signed and acknowledged by all the incorporators. The articles of incorporation contain, among others: (1) the name of the Philippine Subsidiary; (2) the specific purpose or purposes for which the Philippine Subsidiary is being incorporated; (3) the principal office of the Philippine Subsidiary; (4) capital structure of the Philippine Subsidiary; and (5) initial subscribers of the Philippine Subsidiary.

We note that the following restrictions apply to the Philippine Subsidiary's officers:

- (a) its treasurer must be a resident of the Philippines; and
- (b) its corporate secretary must be a citizen and a resident of the Philippines.

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<sup>9</sup> A domestic market enterprise is an enterprise which produces goods for sale or renders services or otherwise engages in any business in the Philippines. This is different from an export market enterprise (*i.e.*, an enterprise wherein a manufacturer, processor or service (including tourism) enterprise exports 60% or more of its output, or wherein a trader purchases products domestically or exports 60% or more of such purchases.

<sup>10</sup> These figures are based on the Average Philippine Peso per US Dollar Exchange Rates of PHP to USD for February 2025 of **1:58.0942**, as published in the website of the BSP, available at <https://www.bsp.gov.ph/SitePages/Statistics/ExchangeRate.aspx>. Last accessed April 30, 2025.

<sup>11</sup> *Id.*

The By-laws, on the other hand, embody the agreement of the stockholders and establish the rules for the internal government of the Philippine Subsidiary (*e.g.*, frequency of board meeting, quorum requirements, and qualifications of corporate officers).

Details of the agreed constitutional documents and drafts thereof will be encoded in the eSPARC. From uploading of required information and documents, there will be a waiting period of around one (1) to two (2) weeks within which the SEC will revert with any comments on the documents. The applicant will have to address the comments of SEC on the constitutive documents. Upon submission of the revised version to comply with the SEC requirements, the SEC will take another week to revert with feedback.

If there are no further comments on the last uploaded version of the constitutional documents, the SEC will confirm and will subsequently send a computation of filing fees along with an Order of Payment.

In addition to the Articles of Incorporation, and By-laws, the following documentary requirements must also be uploaded:

*a. Affidavit of Undertaking to Change Corporate Name*

This is a sworn statement to the effect that the domestic corporation is willing to change its corporate name in the event that (i) another person or firm has a prior right to the use of such name, (ii) such name has been declared misleading, deceptive, or confusingly similar to a registered name, or (iii) such name has been declared contrary to public morals, good custom, or public policy. This is not required if the application form contains a similar undertaking.

*b. Endorsement/clearance from appropriate government agencies*

The requirement for endorsement/clearance, if any, is based on the business to be undertaken by the domestic corporation in the Philippines.

Once finalized, the articles of incorporation and by-laws will be signed. SEC Memorandum Circular No. 16, Series of 2020 sets out the guidelines on authentication of Articles of Incorporation in applications for registration of new domestic corporations.

The filing fees are:

- (a) Filing fee for Authorized Capital Stock: 1/5 of 1% of the authorized capital stock or the subscription price of the subscribed capital stock, whichever is higher, but not less PhP2,000;
- (b) Filing fee for Articles of Incorporation and By-laws: PhP1,000;
- (c) Legal research fee: 1% of the filing fees for the AOI and by-laws, but not less than PhP10;

- (d) Registration under the Foreign Investments Act (*aside from the filing fee for the Articles of Incorporation*): PhP3,000;
- (e) Documentary Stamp Tax: PhP30;
- (f) Name Verification: PhP100; and
- (g) Registration of Stock and Transfer Book: PhP150. – (Note: The actual stock transfer book costs another PhP400).

Filing fees need to be paid at the SEC within ten (10) days from issuance of an Order of Payment.

The signed documents will be uploaded in the eSPARC together with the official receipt evidencing payment of filing fees. Originals of the signed and notarized constitutional documents are also physically submitted to the SEC examiner along with the proof of payment of filing fees.

The SEC Certificate of Incorporation is typically issued within three (3) to four (4) weeks from the time of submission of all the required documents/items with the SEC (assuming no problematic issue is raised by the SEC).

## **B. Branch**

### *1. Getting the name verification and reservation slip from the SEC*

This is to check if there is no existing company with an identical or similar name as the branch (the branch's name should be the same as its head office) and, thus, the name may be used by the latter. If the name could be reserved, this process should only take two (2) days.

### *2. Opening of non-resident foreign account*

This is the bank account where the assigned capital of the branch would be remitted and deposited. This account should already be set up and the assigned capital should already be deposited/remitted before the application papers can be filed with the SEC.

### *3. Remittance of paid-in capital*

The foreign corporation may register its foreign investment with the *Banko Sentral ng Pilipinas* (the central monetary authority of the Philippines), prior to deposit in the aforesaid bank account. This registration would enable the foreign currency to be used for repatriation payments to be sourced from the Philippine banking system.

The assigned capital should already be deposited/remitted with the bank account, and the Certificate of Inward Remittance, Conversion and Deposit should already be issued by the depository bank, before the application could be filed with the SEC. Please note that while the branch may maintain its capital in the foreign currency denomination, the SEC may require the capital to be stated in local currency (Philippine peso).

From experience, it would usually take the foreign corporation one (1) to two (2) weeks to set up the bank account and remit the paid-in capital, and for the bank to issue the required Certificate.

#### *4. Remittance of SEC fees*

The basic filing fee in the amount of one percent (1%) of the actual inward remittance of the branch, plus the legal research fee of one percent (1%) of the filing fee, plus some nominal fees, must be paid.

#### *5. Preparation of documentary requirements for submission to the SEC*

The following items must be prepared and submitted to the SEC (the SEC will not accept the application for incorporation unless all of the following are submitted):

- (a) accomplished SEC Form F-103 (in the form prescribed by the SEC);
- (b) name reservation certificate (see item 1 above);
- (c) board resolution of the head office authorizing the setting up of the branch, the remittance of the assigned capital in its non-resident foreign bank account to be opened in the Philippines, authorizing the persons authorized to act in behalf of the head office and, designating a resident agent for the branch to whom summons and other processes for the latter may be served (should be notarized and consularized or apostilled if executed abroad);
- (d) latest financial statements of the head office dated as of a date not exceeding one (1) year prior to the filing of the application with the SEC, and which should be certified by an independent public accountant of the home country and consularized or apostilled;
- (e) Certificate of Inward Remittance, Conversion and Deposit issued by a local bank showing that the required assigned capital (net of bank charges) has been remitted and deposited to a bank account in the name of the head office;
- (f) acceptance of appointment by resident agent;
- (g) endorsement from relevant government agencies that regulates the activities of the branch (there should be none), if any; and

(h) SEC fees.

As regards the audited financial statements, the SEC requires the applicant to comply with the following financial ratios:

- (i) solvency ratio (total assets-to-total liability) of 1:1;
- (i) current ratio (total current assets-to-total current liability) of 1:1; and
- (ii) debt-to-equity ratio of 3:1.

If the applicant does not comply with the foregoing ratios, the SEC will require additional documents. Failure to submit these documents is a ground for the denial of the application.

The SEC reserves the right to ask for additional documents as it may see fit.

All documents executed abroad should be notarized and consularized or apostilled.

6. *Filing of Application Form F-103 (in SEC-prescribed form) and all the papers in item (4) above and payment of the fees with the SEC.*
7. *Processing of the application by the SEC.*
8. *Issuance of the SEC Branch License; Timing*

The issuance of the license could take place two (2) to three (3) weeks from the time of submission of all the required documents/items with the SEC (assuming no problematic issue is raised by the SEC).

Within sixty (60) days after the issuance of its license to do business as a branch in the Philippines, the branch should deposit with the SEC for the benefit of its present and future creditors, acceptable government and other securities with an actual market value of at least PhP500,000, such securities to be increased, substituted or released on an annual basis at the SEC's discretion, depending on the branch's gross income and on the actual market value of securities on deposit.