PRC LAWS AND REGULATIONS

This section sets out a summary of certain aspects of laws and regulations of the PRC, which are relevant to the business and operations of our Group.

Laws and Regulations in Relation to Product Quality

The Product Quality Law of the People's Republic of China (中華人民共和國產品質量法) (the "**Product Quality Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 22 February 1993, which was last amended and became effective on 29 December 2018, is the principal governing law related to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products they produce, and sellers shall take measures to ensure the quality of the products they sell. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer can prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (3) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to the property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or the seller of the product.

Pursuant to the Civil Code of the People's Republic of China (中華人民共和國民法典) promulgated by the National People's Congress (the "**NPC**") on 28 May 2020 and effective on 1 January 2021, in the event of damages caused to other parties due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, elimination of danger, etc.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法), which was promulgated by the SCNPC on 31 October 1993, last amended on 25 October 2013 and became effective on 15 March 2014, was aimed at protecting consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods or provide services to customers. Under the amendments made on 25 October 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any personal information of consumers obtained during their business operations

The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests of the People's Republic of China (中華人民共和國消費者權益保護法實施條例) was promulgated by the State Council of the People's Republic of China (the "**State Council**") on 15 March 2024 and implemented on 1 July 2024 (the "**Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests**"). The Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests mainly refine and supplement the obligations of operators and improve the relevant provisions on online consumption, strengthen the obligations of prepaid consumer operators, regulate the behavior of consumer claims and clarify the responsibilities of the government for the protection of consumer rights and interests.

Laws and Regulations in Relation to the Industry

According to the Law of the PRC on Government Procurement (中華人民共和國政府採購法) (the "**Procurement Law**") promulgated by the SCNPC on 29 June 2002 and last amended and implemented on 31 August 2014, the government procurement methods include public tender invitation, bidding invitation, competitive negotiation, single-source procurement, inquiry about quotations and other methods confirmed by the department for supervision over government procurement under the State Council. Public tender invitation is the principal method of government procurement, and the term "government procurement" means the use of fiscal funds by all levels of state authorities, institutions and social organizations to procure goods, projects and services that fall within the catalog for centralized procurement formulated in accordance with the law or that are above the procurement limits. Pursuant to Article 73 of the Procurement Law, if any unlawful act made pursuant to Article 71 and Article 72 where the bid winning or transaction result has been or may be affected, the following measures shall be taken respectively: (1) If the winning bidder or successful supplier has not yet been determined, the procurement activity shall be terminated. (2) If the winning bidder or successful supplier has been determined but the procurement contract has not been performed, the contract shall be canceled, and another winning bidder or successful supplier shall be determined from the qualified candidates. (3) If the procurement contract has been performed and losses have been caused to the procuring entity or supplier, the responsible party shall bear the liability for compensation.

Laws and Regulations in Relation to Intellectual Property

Trademarks

The Trademark Law of the People's Republic of China (中華人民共和國商標法) (the "**Trademark Law**") was promulgated by the SCNPC on 23 August 1982 and became effective on 1 March 1983, and was last amended on 23 April 2019 and came into effect from 1 November 2019. The Implementation Rules of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) was promulgated by the State Council on 3 August 2002 and came into effect on 15 September 2002, and was last amended on 29 April 2014 and became effective from 1 May 2014. The Trademark Law and its implementation rules provide the basic legal framework for regulating trademarks in the PRC. According to relevant laws and regulations, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. If a trademark applied for registration does not comply with relevant regulations or is identical or similar to the trademark already registered or preliminarily approved by others on the same or similar goods, the Trademark Office shall reject the application. The validity period of a registered trademark is 10 years, calculated from the date of approval for registration approval.

Patents

Pursuant to the Patent Law of the People's Republic of China (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, last amended on 17 October 2020, and effective from 1 June 2021, and the Implementation Rules of the Patent Law of the People's Republic of China (中華人民共和國專利法實施細則) promulgated by the State Council on 15 June 2001, last amended on 11 December 2023 and effective from 20 January 2024, there are three types of patents, namely, invention, utility model and design. Invention patents are valid for 20 years, design patents are valid for 15 years and utility model patents are valid for 10 years from the date of application. The PRC patent system adopts a "first come, first file" principle, which means that where more than two persons file a patent application for the same invention, a patent will be granted to the person who applies first. Inventions and utility model patents must meet three criteria: novelty, inventiveness and practicability. Unless otherwise stipulated by relevant laws and regulations, a third party must obtain consent or a proper license from the owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Copyright and software copyright

Pursuant to the Copyright Law of the People's Republic of China (中華人民共和國著作權法) promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020 and effective from 1 June 2021, and the Implementing Rules of the Copyright Law of the People's Republic of China (中華人民共和國著作權法實施條例) promulgated by the State Council on 2 August 2002, last amended on 30 January 2013 and effective from 1 March 2013, Chinese citizens, legal persons or other organizations enjoy copyright protection over their works, whether published or not, in the domain of literature, art and science.

In addition, internet activities, products disseminated over the internet, and software products also enjoy copyright. Pursuant to the Regulation on Protection of Computer Software (計算機軟件保護條例) promulgated by the State Council on 4 June 1991, effective on 1 November 1991, last amended on 30 January 2013 and implemented on 1 March 2013, the software registration authority shall grant certificates of registration to computer software copyright applicants in compliance with the Regulation on Protection of Computer Software.

Domain names

Pursuant to the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") on 24 August 2017 and effective from 1 November 2017, and the Implementation Rules for the Registration of National Top-level Domain Names (國家頂級網域名註冊實施細則) promulgated by China Internet Network Information Center and effective on 18 June 2019, the MIIT is in charge of the administration of PRC internet domain names. Domain owners need to register their domain names. The domain name services follow a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Laws and Regulations in Relation to Labor Protection, Social Insurance and Housing Provident Funds

Labor security

Under the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) (the "**Labor Contract Law**") promulgated on 29 June 2007, effective on 1 January 2008, and last amended on 28 December 2012 and effective on 1 July 2013, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with the regulations of the state. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated by SCNPC on 5 July 1994, effective on 1 January 1995 and last amended and implemented on 29 December 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation as well as educate employees on labor safety and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that are in compliance with national standards and necessary articles for labor protection.

Social insurance and housing provident fund

According to the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) passed by the SCNPC on 28 October 2010, effective on 1 July 2011 and amended and implemented on 29 December 2018, each employer and individual in the PRC shall make social insurance fund, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. An employer who fails to make adequate contributions to social insurance fund shall be ordered to pay or supplement within a stipulated period, and shall be subject to a late fee computed from the date of default at the rate of 0.05% per day. Where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the overdue amount.

According to the Administrative Regulations on the Housing Provident Fund (住房公積金管理條例) passed by the State Council on 3 April 1999, last amended and implemented on 24 March 2019, each employer and individual in the PRC shall make housing provident fund. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the competent PRC government authority shall order it to make the housing provident fund within a stipulated period. If the payment is not made within such stipulated period, an application may be made to the People's Court for compulsory enforcement.

Laws and Regulations in Relation to Foreign Exchange

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the "**Foreign Exchange Regulations**") promulgated by the State Council on 29 January 1996, effective on 1 April 1996, and last amended and effective on 5 August 2008, international payments in foreign currencies and transfers of foreign currencies under current account in PRC shall not be subject to any restriction. Foreign currency transactions under the capital account, such as direct investment and capital contribution, are still restricted and require approvals from, or registration with, the foreign exchange administrative authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) announced by SAFE on 1 February 2005, effective on 1 March 2005 and amended and implemented on 26 December 2014, SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. The domestic company shall, within 15 working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) announced by SAFE and effective on 9 June 2016, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知) announced and effective on 4 December 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) issued by SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas listing, with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and inline with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

Laws and Regulations in Relation to Taxation

PRC Enterprise Income Tax Law

According to the EIT Law promulgated on 16 March 2007, effective on 1 January 2008 and last amended and implemented on 29 December 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法實施條例) (the "**Implementing Rules of the Enterprise Income Tax Law**") promulgated on 6 December 2007, effective on 1 January 2008 and last amended and implemented on 23 April 2019, enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise established within China or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China, or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Administrative Measures for Accreditation of High-tech Enterprises (高新技術企 業認定管理辦法) jointly promulgated by Ministry of Science and Technology, Ministry of Finance and the SAT on 14 April 2008, amended on 29 January 2016 and effective on 1 January 2016, enterprises which recognized as high-tech enterprises are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. After the certificate expires, the enterprise can re-apply for such recognition as a high-tech enterprise.

Value-added tax

According to the Interim Value-Added Tax Regulations of the People's Republic of China (中華人民共和國增值税暫行條例), as announced by the State Council on 13 December 1993 and last amended and effective on 19 November 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets and real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax. Unless otherwise provided bylaws, the value-added tax rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, immovable property or immovable property leasing services, transferring the land use rights, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知) promulgated by the Ministry of Finance and the SAT on 23 March 2016, the pilot program of replacing business tax with value-added tax nationwide should be comprehensively promoted. All taxpayers of business tax engaged in the construction industry, real estate industry, financial industry and life service industry should be included in the pilot scope with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (財政部、國家税務總局關於簡併增值税税率有關政策的通知) announced by the Ministry of Finance and the SAT on 28 April 2017, the structure of value-added tax rates will be simplified and consolidated from 1 July 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-added Tax Rates (財政部、國家税務總局關於調整增值税税率的通知) announced by the Ministry of Finance and the SAT on 4 April 2018, from 1 May 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值税改革有關政策的公告) promulgated on 20 March 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%, and the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

According to the Announcement on Further Enhancing the Implementation of the End-of-Period Value-Added Tax Refund Policy (關於進一步加大增值税期末留抵退税政策實施力度的公告) issued by the Ministry of Finance and the SAT on 21 March 2022, eligible enterprises in manufacturing and other industries may apply to the competent tax authorities for the refund of the remaining recoverable value-added tax from the tax declaration period in April 2022. Taxpayers who have benefited from the value-added tax refund policy of "immediate refund upon collection" (即徵即退) and "levy and refund later" (先徵後返(退)) since April 2019 may apply for end-of-period value-added tax refund, provided that, taxpayers shall apply after returning all the value-added tax refunds enjoyed since April 2019 to relevant tax authorities before 31 October 2022 in one go.

Taxation on dividends

According to the Individual Income Tax Law promulgated on 10 September 1980, last amended on 31 August 2018 and effective on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得税法實施條例) (the "**Implementing Rules of the Individual Income Tax Law**") last amended on 18 December 2018 and effective on 1 January 2019, income from interest, dividends, bonuses, property leasing, property transfer and incidental income shall be subject to a proportional tax rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (關於上市公司股息紅利差別化個人所得税政策有關問題的通知) issued on 7 September 2015 by the Ministry of Finance, the SAT and the CSRC, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempted from individual income tax. If the individual holds the stocks for one month or less, the income from dividends is fully taxable. If the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable. The aforesaid income is subject to an individual income tax at a flat rate of 20%.

In accordance with the EIT Law and the Implementation Rules for the Enterprise Income Tax Law, the rate of enterprise income tax shall be 25%. A non-resident enterprise income tax should be levied at a reduced rate of 10% on income originating from within China if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid or due for each payment.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知), which was issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise unified withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. After receiving dividends, the shareholder of a non-resident enterprise may apply to the competent tax authority for the treatment under the tax treaty (arrangement), and after the examination and verification by the competent tax authority, shall refund the balance between the tax paid and the tax payable calculated according to the tax rate stipulated in the tax treaty (arrangement). In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆), which was issued by the SAT on 24 July 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (國家税務總局關於〈內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排〉第五議定書) effective on 6 December 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements must comply with the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知) and other Chinese tax laws and regulations.

Pursuant to Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國税發[1993] 045號文件廢止後有關個人所得税徵管問題的通知) issued by the SAT on 28 June 2011, for domestic non-foreign-invested enterprises issuing shares in Hong Kong, its overseas individual shareholders may enjoy relevant preferential tax treatment in accordance with the tax treaties between the PRC and its country of residence, and the tax treaties between the PRC and Hong Kong (or Macao). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally are subject to withhold personal income tax at 10% of dividends and profits without application. If the individual receiving dividends is a resident of an treaties country with a tax rate of less than 10%, the withholding agent shall apply on their behalf for the relevant preferential treatment in accordance with the provisions and upon approval by the competent tax authority, over-withheld taxes will be refunded. If the individual is a resident of an treaties country with a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold personal income tax at the treaties effective rate when paying dividends and bonuses, and no application is required in such cases. If the individual receiving dividends is a resident of a country without a tax treaties with the PRC or other circumstances exist, the withholding agent shall withhold personal income tax at the rate of 20% when paying dividends.

Tax treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Income tax

According to the Individual Income Tax Law and its Implementing Rules of the Individual Income Tax Law, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (財政部及國家税務總局關於個人轉讓股票所得繼續暫免徵收個人所得税的通知) issued on 30 March 1998, as of 1 January 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On 31 December 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知), which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange (the "**SZSE**") the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知) jointly issued by the three aforementioned authorities on 10 November 2010.

Stamp duty

Pursuant to the Stamp Tax Law of the People's Republic of China (中華人民共和國印花税法) effective as of 1 July 2022, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Laws and Regulations in Relation to Environmental Protection and Fire

Environment protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated by the SCNPC on 26 December 1989, effective on the same day and last amended on 24 April 2014 and effective on 1 January 2015, outlines the authorities and duties of environmental protection regulatory agencies. The Ministry of Environmental Protection under the State Council is authorized to issue national standards for environmental quality and discharge of pollutants, and to exercise unified supervision and administration over environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards for discharge of pollutants which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental impact appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on 29 November 1998, last amended on 16 July 2017 and became effective on 1 October 2017, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on 28 October 2002 and last amended and implemented on 29 December 2018, for any construction projects that have an impact on the environment, the construction employer is required to prepare an environmental impact report or an environmental impact statement, or file a registration form depending on the seriousness of effect that may be exerted on the environment.

Pollutant discharge

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (排污許可管理辦法(試行)) promulgated on 10 January 2018 and partially revised on 22 August 2019 by the original environmental protection department, now known as the Ministry of Ecology and Environment (the "**MEE**"), and the Administrative Measures for Pollutant Discharge Licensing (排污許可管理辦法), which was promulgated on 1 April 2024 and scheduled to be implemented on 1 July 2024, enterprises, public institutions and other producers and operators under the administration of discharge permits (referred to as "**discharge units**") shall apply for and obtain a pollutant discharge license and discharge pollutants in accordance with the provisions of the discharge permit. Any enterprise that fails to obtain a pollutant discharge license as required shall not discharge pollutants.

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) (固定污染源排汙許可分類管理名錄(2019年版)) issued by the MEE on 20 December 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors including the amount of pollutants generated, the amount of pollutants discharged, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

According to the Regulation on Pollutant Discharge Permit Administration (排污許可管理條例) issued by the State Council on 24 January 2021 and effective on 1 March 2021, the administration on pollutant discharge units are divided into key management and simplified management pursuant to the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The review, decision and information disclosure of pollutant discharge licenses shall be handled through the management information platform of the national pollutant discharge license. The pollutant discharge license is valid for five years and the discharging units should apply for renewal 60 days to the approval authority before the expiry of the pollutant discharge license if they need to discharge pollutants on a continuous basis.

Acceptance inspection on environmental protection facilities

According to the Administration Rules on Environmental Protection of Construction (建設項目環境保護管理條例), upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council and formulate the acceptance inspection report. The constructor needs to disclose to the public the acceptance inspection report pursuant to the law, except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the state. Where the environmental protection facilities have not undergone acceptance inspection or failed on acceptance inspection, the construction project shall not be put into production or use.

Fire prevention design and acceptance

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**") was issued by the SCNPC on 29 April 1998, became effective on 1 September 1998 and was last amended and implemented on 29 April 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定) issued by the Ministry of Housing and Urban-Rural Development of the PRC on 1 April 2020, last amended on 21 August 2023 and effective on 30 October 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Laws and Regulations Relating to Data, Network and Information Security

According to the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法) (the "**Cybersecurity Law**") promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, network operators must abide by applicable laws and administrative regulations and fulfill their cybersecurity protection obligations when conducting business and service activities. To build or operate a network or provide services through a network, technical and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards to ensure the security and stable operation of the network, effectively respond to network security incidents, prevent illegal and criminal activities on the network and maintain the integrity, confidentiality and availability of network data.

The Data Security Law of the People's Republic of China (中華人民共和國數據安全法) (the "**Data Security Law**") was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021. The Data Security Law provides for measures to support the promotion of data security and development, establishes and improves the national data security management system and clarifies the responsibilities of organizations and individuals with regard to data security. The Data Security Law introduces a classification and classification protection system for data based on the importance of data in economic and social development, as well as the degree of harm to national security, public interests or the legitimate rights and interests of individuals and organizations once it is tampered with, destroyed, leaked or illegally obtained or illegally used.

The Cyber Administration of China (the "**CAC**") and several other regulatory authorities in China jointly issued the Cybersecurity Review Measures (網絡安全審查辦法) on December 28, 2021, which came into effect on February 15, 2022. Where critical information infrastructure operators purchase network products and services, and network platform operators carry out data processing activities that affect or may affect national security, network security reviews shall be conducted in accordance with the Cybersecurity Review Measures.

The Personal Information Protection Law of the People's Republic of China (中華人民共和國個人信息保護法) (the "**Personal Information Protection Law**") was promulgated by the SCNPC on August 20, 2021 and took effect on November 1, 2021. The Personal Information Protection Law stipulates the scope of personal information and the methods of processing personal information, establishes rules on personal information processing and rules on cross-border provision of personal information and clarifies the rights of individuals in personal information processing activities and the obligations of personal information processors.

According to the Regulations on the Administration of Network Data Security promulgated by the State Council on September 24, 2024 and came into effect on January 1, 2025, network data processors carrying out network data processing activities that affect or may affect national security shall conduct national security reviews in accordance with relevant state regulations. According to the Measures for Data Exit Security Assessment (數據出境安全評估辦法) promulgated by the CAC on July 7, 2022 and effective on September 1, 2022 (the "**Security Assessment Measures**"), if the data processor provides data overseas, under any of the following circumstances, it shall report the data exit security assessment to the national network information Department through the local provincial network information department: (1) the data processor provides important data outside China; (2) critical information infrastructure operators and data processors processing the personal information of more than one million people provide personal information abroad; (3) since January 1 of the previous year, data processors who have provided personal information of 100,000 people or sensitive personal information of 10,000 people abroad have provided personal information abroad; and (4) other situations required to declare data exit security assessment as stipulated by the national network information department.

Regulations on Work Safety

According to the Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the SCNPC on 29 June 2002, revised on 10 June 2021 and effective on 1 September 2021, production and business operation entities must formulate safety production objectives and measures, improve the working environment and conditions of workers in a planned and step-by-step manner, establish a safety production guarantee system and implement a safety production post responsibility system. In addition, production and business operation entities must arrange safety production training and provide employees with personal protective equipment that meets national or industry standards. In addition, the production and business operation entities shall report the major hazard sources and related safety measures and emergency measures to the emergency management department and other relevant departments for the record, and formulate a safety risk rating control system and take corresponding control measures.

Laws and Regulations in Relation to Exportation of Goods

According to the Regulations of the PRC on the Administration of Import and Export of Goods (中華人民共和國貨物進出口管理條例) promulgated by the State Council on 10 December 2001, which came into effect on 1 January 2002 and was last amended on 10 March 2024 and effective on 1 May 2024, the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the SCNPC on 12 May 1994 which came into effect on 1 July 1994 and last amended on 30 December 2022, the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on 22 January 1987, which came into effect on 1 July 1987 and last amended on 29 April 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (對外貿易經營者備案登記辦法) promulgated by the Ministry of Commerce of China ("**MOFCOM**") on 25 June 2004, which came into effect on 1 July 2004 and was last amended on 10 May 2021 and the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (中華人民共和國海關報關單位備案管理規定) promulgated by the General Administration of Customs of the PRC on 19 November 2021, which came into effect on 1 January 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with MOFCOM or the agency entrusted by MOFCOM. Unless otherwise provided, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

In accordance with the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the SCNPC on 21 February 1989, implemented on 1 August 1989 and last amended on 29 April 2021, and the Implementation Regulations of the Import and Export Commodity Inspection Law of the People's Republic of China (中華人民共和國進出口商品檢驗法實施條例) promulgated by the State Council on 31 August 2005 and implemented on 1 December 2005, after the latest revision on 29 March 2022, the General Administration of Customs is in charge of the inspection of import and export commodities nationwide. Exit and entry inspection and quarantine authorities shall inspect the import and export commodities listed in the catalogue and other import and export commodities that are subject to inspection by exit and entry inspection and quarantine authorities as stipulated bylaws and administrative regulations. The entry-exit inspection and quarantine authorities shall conduct random inspection and inspection of import and export commodities other than those mentioned above in accordance with the provisions of the state. Imported commodities subject to inspection shall not be sold or used without inspection. Export commodities subject to inspection shall not be allowed to be exported if they have not been inspected or fail to pass the inspection.

Laws and Regulations in Relation to Foreign Investment

The Company Law of the People's Republic of China (中華人民共和國公司法) (the "**Company Law**") was promulgated by the SCNPC on 29 December 1993. It was last revised on 29 December 2023 and became effective on 1 July 2024. According to the Company Law, companies are generally divided into two categories, namely limited liability companies and joint stock limited companies. The Company Law shall also apply to joint stock limited companies with foreign investment.

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**Foreign Investment Law**") was promulgated by the NPC on 15 March 2019 and became effective on 1 January 2020. The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and the Law of the People's Republic of China on Sino-Foreign Contractual Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. The organization form, institutional framework and standard of conduct for foreign-invested enterprises shall be subject to the provisions of the Company Law and other laws. China implements the management system of pre-entry national treatment and the negative list for foreign investment, and abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry, which is no less favorable than the treatment accorded to domestic investors and their investments.

The Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current negative list is the Special Management Measures for the Access of Foreign Investment (2024 Revision) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "**Negative List**") issued by the National Development and Reform Commission of China (the "**NDRC**") and MOFCOM on 6 September 2024, effective on 1 November 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. In the current implementation of the Negative List, the Company's industry, industrial robot manufacturing, is not explicitly listed as a negative regulatory object.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of MOFCOM. The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (外商投資資訊報告辦法) jointly developed by MOFCOM and the SAMR, which came into effect on 1 January 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System. The reporting methods include initial reports, change reports, cancellation reports, and annual reports.

Laws and Regulations in Relation to Overseas Listing

On 17 February 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**").

According to the Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, shall file with the CSRC and submit relevant information within three business days after submitting the application documents for issuance and listing overseas.

The Overseas Listing Regulations provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (1) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (2) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (3) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

In addition, Chinese domestic enterprises seeking overseas listing shall strictly abide by the laws, administrative regulations and relevant provisions of the Chinese government on foreign investment, state-owned assets, industry supervision, overseas investment, etc., and shall not disturb the domestic market order, nor harm the national interests, public interests or the legitimate rights and interests of domestic investors.

The Overseas Listing Regulations also specify corresponding legal responsibilities, if a domestic enterprise violates its relevant provisions, the domestic enterprise may be ordered to correct, warned, fined, and other penalties, its controlling shareholders, actual controllers, directly responsible executives, and other directly responsible personnel may also be warned, fined, and other penalties.

On February 24, 2023, the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) was promulgated, or the Provision on Confidentiality, which became effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses documents and materials involving state secrets and working secrets of state organs, or Relevant Documents and Materials, to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses Relevant Documents and Materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall complete the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and out-of-country transfers shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Laws and Regulations in Relation to the H Share "Full Circulation"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請「全流通」業務指引) (the "**Full Circulation Guidelines**") promulgated and implemented by the CSRC on 14 November 2019, and last revised and effective on 10 August 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Full Circulation Guidelines, "Full Circulation" represents the shareholders of domestic unlisted shares of domestic companies (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued in the territory after overseas listing and the unlisted shares held by foreign shareholders) are listed and circulated on the Stock Exchange. The shareholders of domestic unlisted shares shall authorize the domestic company to file the "Full Circulation" application with the CSRC by filing materials on key compliance issues, including whether the "Full Circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Measures for Implementation of H-share "Full Circulation" Business (H股「全流通」業務實施細則) (the "**Measures for Implementation**"), promulgated by the China Securities Depository and Clearing Corporation Limited (the "**CSDC**") and the SZSE on 31 December 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants, services of nominal holders, etc. in relation to the H-share "full circulation business," are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited (the "**CSDC (Hong Kong)**"), and the SZSE. In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC (Hong Kong) promulgated the Circular on Issuing the amendment and publication of the "Guidelines for the Full Circulation" of H-Shares of China Securities Depository and Clearing (Hong Kong) Company Limited on 20 September 2024, effective on 23 September 2024, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

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

INTERNATIONAL SANCTIONS LAWS AND REGULATIONS

Set out below is a summary of the sanctions regimes imposed by the U.N., the U.S., the E.U., the U.K. and Australia. This summary has not and is not intended to set out all relevant laws and regulations relating to the sanctions regimes of the U.N., the U.S., the E.U., the U.K. and Australia in their entirety.

U.N. Sanctions Regimes

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of any armed force.

The UNSC sanctions may take a number of different forms, in pursuit of a variety of different goals. The measures have ranged from comprehensive economic and trade sanctions to targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful settlement of conflicts, counter-terrorism, protect human rights, promote non-proliferation and deter non-constitutional changes. There are a number of ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are 10 monitoring groups, teams and panels that support the work of the sanctions committees. U.N. sanctions are imposed by the UNSC, usually acting under chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states, but are not enforceable against private parties, and, therefore, U.N. member states are required to implement the relevant U.N. sanctions. Each U.N. member states shall determine how the sanctions imposed by the UNSC are implemented and enforced against private parties under its own domestic laws.

U.S. Sanctions Regimes

Economic sanction

The United States Department of Treasury's Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against countries, entities and individuals targeted by the U.S. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against for example Iran, Venezuela and Russia also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. nationals or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the U.S.; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or the parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (or freeze) any assets or property interests owned, controlled or held for the benefit of a country, entity, or individual subject to comprehensive sanctions when such assets or property interests are in the U.S. or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset or property interest, no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts or agreements), except pursuant to a license or an authorization from OFAC.

OFAC prohibits virtually all business dealings with persons and entities identified in the Specially Designated Nationals And Blocked Persons List (the "**SDN List**") maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the U.S.

Export control regulations

The Export Administration Regulations (the "**EAR**"), administered by the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**"), govern the export and re-export of items "subject to the EAR."

Currently, "items subject to the EAR" generally include all U.S.-origin commodities, software and technology. In limited circumstances, services are also covered. More specifically, items "subject to the EAR" include (1) all items in the U.S. (except publicly available technology and software); (2) all U.S.-origin items located outside the U.S.; (3) certain foreign-made items that include more than de minimis amounts of controlled U.S. content; and (4) foreign-made national security items that are the direct product of U.S.-origin national security technology or software.

BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organizations, individuals and other types of legal persons, including military end users (the "**Entity List**"). The Entity List initially arose as a list setting forth foreign persons known to be involved in proliferation activities and the development of weapons of mass destruction or missiles. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the U.S. State Department and activities contrary to U.S. national security or other foreign policy interests. Any transaction undertaken or effected of an item subject to the EAR to an entity on the Entity List requires a license. This restriction also includes engaging in transactions where the seller knows or has reason to know that the products to be transferred (or re-transferred or re-exported) are destined for a prohibited end-use. The "military end-user" ("**MEU**") list includes foreign parties as military end users that are subject to a license requirement for the export, reexport, or transfer of items that are restricted for MEUs as described in supplement no. 2 to part 744 of the EAR.

Further, BIS has a license review policy establishing a presumption that any license application for a transfer, export or re-export to an entity on the Entity List be denied, as such, the BIS will only approve a license in exceptional circumstances where it can be established that the granting of the license will not harm or impair U.S. national security.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfils certain criteria, such as where it is a foreign made item, which contains not more than 25% U.S. origin content by value (the "**De Minimis Rule**"). Such 25% U.S. origin content by value generally refers to foreign made products which (1) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific license if they were exported separately and (2) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds 25%.

Pursuant to part 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product that relates to U.S. technology incorporated into a non-U.S. made product to enable the U.S. Government to evaluate whether U.S. content calculations were performed correctly. Supplement No. 2 to Part 734 further provides that U.S.-origin controlled item is only considered 'incorporated' if all three of the following conditions are met: (i) essential to the functioning of the foreign equipment; (ii) customarily included in sales of the foreign equipment; and (iii) reexported with the foreign produced item. The report must contain a description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise.

E.U. Sanctions Regimes

The E.U. implements all sanctions adopted by the UNSC and strengthens U.N. sanctions through additional measures and/or sanctions on its own initiative. The E.U. does not generally ban dealing with a counterparty in or with a jurisdiction targeted by sanctions measures, provided that the counterparty is not a person or an entity listed on OFAC's SDN List or other restricted parties lists maintained by the U.N., U.S., E.U., U.K. or Australia or not engaged in prohibited activities, such as, directly or indirectly, exporting, selling, transferring or making certain controlled or restricted products available to, or for use in a jurisdiction subject to sanctions measures.

All E.U. sanctions apply: (1) within the E.U. (including its airspace); (2) on board any aircraft or vessel under the jurisdiction of any E.U. Member State; (3) to any E.U. nationals, regardless of their residency or location; (4) to any legal person, entity or body incorporated or constituted under the laws of any E.U. Member State; and (5) to any legal person, entity or body in respect of any business done in the E.U. E.U. sanctions are directly applicable in any E.U. Member State without national legislation. However, penalties for breaches of E.U. sanctions depend on national legislation in each E.U. Member State.

U.K. and U.K. overseas territories

While the U.K. is no longer an E.U. Member State, E.U. legislation as applied to the U.K. prior to December 31, 2020 has been retained as laws of the U.K. in a form of domestic legislation known as "retained E.U. legislation." The U.K. applies its autonomous sanctions regime to: (1) its territory and territory waters; (2) all U.K. nationals regardless of their location; (3) all individuals and legal entities within the U.K.'s territory or undertake activities within the same; and (4) all U.K. legal entities established under U.K. law including their non-U.K. branches (but excluding separately incorporated non-U.K. subsidiaries), regardless of the location of their activities.

The Office of Financial Sanctions Implementation maintains two lists of persons subject to financial sanctions and imposes financial penalties on a breaching party. The "consolidated list" includes all designated persons subject to E.U. financial sanctions (including U.N. sanctions implemented through E.U. regulations) and U.K. financial sanctions ("**U.K. Designated Person(s)**"). A separate list includes entities subject to certain capital market restrictions. It is prohibited under U.K. sanctions laws and regulations to make any funds or economic resources directly or indirectly available to or for the benefit of a U.K. Designated Person under Sanctions and Anti-Money Laundering Act 2018 ("**SAMLA**").

The Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ("**the Russia Regulations**") were made under the SAMLA and provide for the imposition of financial sanctions, including asset freezes and other financial and investment restrictions, on persons who are or have been involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine; or obtaining a benefit from or supporting the Government of Russia. The prohibitions under the Russia Regulations entered into force on 31 December 2020, and the U.K. government maintains a list of U.K. Designated Persons subject to an asset freeze and trust services sanctions under the Russia Regulations, and amend such list from time to time.

A U.K. Designated Persons, being subject to asset-freezing means that it is generally prohibited to deal with the frozen funds or goods, belonging to or owned, held or controlled by such designated person, this would limit a person's ability to deal with any funds or goods such designated person currently owns, holds, or controls.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services.

U.S. OUTBOUND INVESTMENT RULES

On 28 October 2024, the U.S. Department of the Treasury issued a final rule concerning outbound investment ("**Outbound Investment Rule**") to implement the executive order of 9 August 2023, and the Outbound Investment Rule became effective on 2 January 2025. The Outbound Investment Rule imposed investment prohibition and notification requirements on U.S. Persons for investments in entities associated with China, Hong Kong and Macau that engage in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) AI systems, such entities are defined as "Covered Foreign Persons." Under the Outbound Investment Rule, U.S. persons are prohibited from making, or required to notify for, investments in Covered Foreign Persons through certain acquisitions of equity interests, debt financing, joint ventures, and investments as a limited partner in a non-U.S. person pooled investment fund, which are defined as "Covered Transactions". The Outbound Investment Rule excludes some investments from the scope of Covered Transactions, including those in publicly traded securities.

Under the Outbound Investment Rule, Covered Foreign Persons relating to microelectronics includes Chinese companies that design, fabricate, or package integrated circuits; and Covered Foreign Persons relating to AI system includes Chinese companies that design AI system for military, government intelligence or mass-surveillance usage, or intended to be used for or the control of robotic systems. The Outbound Investment Rule further provides that the term AI system means: (a) a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments, which: (1) uses data inputs to perceive real and virtual environments; (2) abstracts such perceptions into models through automated or algorithmic statistical analysis; and (3) uses model inference to make a classification, prediction, recommendation, or decision; and (b) any data system, software, hardware, application, tool, or utility that operates in whole or in part using a system described in (a) above.