
REGULATORY OVERVIEW

PRC REGULATION

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

REGULATIONS ON EXPORTATION OF GOODS

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the SCNPC on May 12, 1994, and last revised and implemented on December 30, 2022, and the Measures for the Recordation Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce (MOFCOM) on June 25, 2004, implemented on July 1, 2004, and subsequently revised on August 18, 2016, November 30, 2019, and May 10, 2021, foreign traders engaging in import and export of goods or technology shall go through recordation registration with MOFCOM or institutions entrusted by MOFCOM. Where a foreign trade operator fails to complete the recordation registration, the customs shall not process the customs declaration and release formalities for import and export goods.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and last revised and implemented on April 29, 2021, unless otherwise stipulated, the customs declaration and tax payment formalities for import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that are allowed to be registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall file a record with the Customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the PRC on the 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 on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and customs declarations entities shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

REGULATIONS ON FOREIGN INVESTMENT

In March 2019, the National People’s Congress promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**2019 PRC Foreign Investment Law**”). Upon taking effect on January 1, 2020, the 2019 PRC Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》), and the Wholly Foreign-Owned Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

REGULATORY OVERVIEW

Pursuant to the PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

Foreign investors’ investment, earnings, and other legitimate rights and interests within the territory of Chinese Mainland shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to FIEs. The state guarantees that FIEs participate in the formulation of standards in an equal manner and in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures, and timely and reasonable compensation shall be given. In carrying out business activities, FIEs shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange, and other matters stipulated in laws and regulations.

On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》).

Investment activities in Chinese Mainland by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), or the Encouraging Catalog, and the Special Administrative Measures for Access of Foreign Investments (《外商投資准入特別管理措施》), or the Negative List, which were promulgated and are amended from time to time by the MOFCOM and the NDRC, and together with the Foreign Investment Law and its respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic regulatory framework for foreign investment in Chinese Mainland. On October 26, 2022, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄》(2022年版)), which became effective on January 1, 2023, to replace the previous one. On September 6, 2024, the MOFCOM and the NDRC released the

REGULATORY OVERVIEW

Special Administrative Measures for Access of Foreign Investments (2024 Version) (《外商投資准入特別管理措施(負面清單)》(2024年版)), or the Negative List 2024, which became effective on November 1, 2024, to replace the previous Negative List.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020, and implemented on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office before investing in any important infrastructure, important transportation services, and other important fields that concern state security, while obtaining actual control over the enterprises invested in.

REGULATIONS RELATING TO PRODUCT LIABILITY

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), which was promulgated by the Standing Committee of the National People’s Congress (NPCSC) on February 22, 1993, and most recently amended on December 29, 2018, and came into effect on the same day, a manufacturer is prohibited from producing or selling products that do not satisfy applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked. On May 28, 2020, the NPC promulgated the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), or the PRC Civil Code, which took effect on January 1, 2021 and replaces the Tort Law of the People’s Republic of China, the Contract Law of the People’s Republic of China, and several other basic civil laws in the PRC. Under the PRC Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where a manufacturer or seller manufactures or sells a product knowing that the product is defective, or a defect of a product is discovered after the product is put into circulation, failing to take remedial measures in accordance with the provisions of the preceding Article, so that death or serious physical harm is caused to another person, the infringed person has the right to request for the corresponding punitive damages. Where the damage is caused by a defect of a product due to the fault of a third person, such as a transporter or a warehouse, the manufacturer or seller of the product shall, after paying compensation, have the right to indemnification against the third person.

REGULATORY OVERVIEW

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) passed by the Standing Committee of NPC on October 31, 1993, which was last amended on October 25, 2013 and became effective on March 15, 2014, provides the code of conduct for business operators when dealing with consumer, including but not limited to: (i) ensuring that the goods or services comply with the relevant laws and regulations in relation to the product quality; (ii) providing accurate information concerning the quality, performance, purpose and term of validity of the goods or services provided; (iii) issuing invoice or other shopping vouchers or service documents to consumers in accordance with relevant national regulations or commercial practices; (iv) ensuring that the actual quality and function of the goods or services is in conformity with the quality of the goods or services indicated by advertisement, product descriptions, samples or other means; (v) assuming responsibility for repair, remanufacturing, replacement, return of goods or other liability under national regulations or any agreement with consumers; and (vi) not to impose terms that are unreasonable or unfair on consumers.

REGULATIONS ON LEASING

Pursuant to the PRC Civil Code, the lessee may sublease the leased premises to a third party with the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. However, the lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. The lessee may terminate the lease contract if the leased property could not be used due to the reasons of the lessors, such as when the ownership of the leased real estate is in dispute.

Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation before the establishment of mortgage rights, the original tenancy shall not be affected by such mortgage rights. According to the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (Revised 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020年修正)), or the Interpretation on the Application of Law about Disputes Over Lease Contracts on Urban Buildings, which was promulgated by the Supreme People's Court on July 30, 2009, and amended on December 29, 2020, if the ownership of the leased premises changes during the period when the lessee is in possession in accordance with the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except when the mortgage right has been established before the premises were leased and the ownership changes due to the mortgagee's realization of the mortgage right occurred.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), or the MOHURD, promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), or the New Lease Measures, which became effective on February 1, 2011, and replaced the Administrative Measures for Urban House Leasing (《城市房屋租賃管理辦法》). Pursuant to the New Lease Measures, parties to

REGULATORY OVERVIEW

the housing lease shall register and file with the local property administration authority within thirty days after entering the lease contract. Failure to comply with such registration and filing requirements shall result in fines up to RMB10,000. However, according to the PRC Civil Code, failure to register and file with the authority in accordance with the provisions of laws, administrative rules, and regulations would not prejudice the validity of the contract.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND WORK SAFETY

Environmental Protection

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014, and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Pursuant to the Environmental Protection Law, construction projects that have an environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built, and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies. Consequences of violations of the Environmental Protection Law include fines, rectification within a time limit, shutdown, or criminal punishment for Environment Impact Assessment, and so on.

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued by the Standing Committee of the National People's Congress (NPCSC) on October 28, 2002, and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIR form shall be completed.

REGULATORY OVERVIEW

On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version).

Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, amended on August 27, 2009, August 31, 2014 and June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

Fire Control

Pursuant to the PRC Fire Safety Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and most recently amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the MOHURD on April 1, 2020, and most recently amended on April 21, 2023, with effect on October 30, 2023, the construction entity of a labor-intensive enterprise's manufacturing plant whose size is over 2,500 square meters and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must file with the competent department for record within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, effective on June 1, 1991, and amended on October 27, 2001, February 26, 2010, and November 11, 2020, and the latest amendment took effect on June 1, 2021. On August 2, 2002, the State Council promulgated the Implementation Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》), which was most recently amended on January 30, 2013, and came into effect on March 1, 2013. According

REGULATORY OVERVIEW

to the Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works. Copyright owners enjoy certain legal rights, including the right of publication, the right of authorship, and the right of reproduction. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners, and compensating the loss of copyright owners. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations. To further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration (中華人民共和國國家版權局) on February 20, 2002 and revised on June 18, 2004, which specifies detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013, and April 23, 2019, respectively, the SAIC, under the State Council, is responsible for the registration and administration of trademarks in Chinese Mainland. The SAIC under the State Council has established a Trademark Review and Adjudication Board (商標評審委員會) for resolving trademark disputes. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. Registered trademarks are valid for 10 years from the date the registration is approved. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. On April 29, 2014, the State Council issued the revised Implementing Regulations 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》), which specifies the requirements of applying for trademark registration and renewal.

Patent

According to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000, December 27, 2008, and October 17, 2020, with the latest amendment taking effect on June 1, 2021, respectively, 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》), or the Implementation Rules of the Patent Law, promulgated by the State Council on June 15, 2001 and revised on December 28, 2002, January 9, 2010 and January 20, 2024, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely “inventions,” “utility models,” and “designs.”

REGULATORY OVERVIEW

Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021, is extended to fifteen years in each case from the date of application.

Domain Names

On August 24, 2017, the MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), or the Domain Name Measures, which became effective on November 1, 2017. The Domain Name Measures regulate the registration of domain names, such as China’s national top-level domain name “.CN.” The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under the supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in Chinese Mainland are the Administrative Regulations on Foreign Exchange of the People’s Republic of China (《中華人民共和國外匯管理條例》), or the Foreign Exchange Administrative Regulation, which were promulgated by the State Council on January 29, 1996, became effective on April 1, 1996, and was subsequently amended on January 14, 1997, and August 5, 2008. Under the regulations, payments of current account items can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate governmental authorities or the designated banks is required where RMB is to be converted into foreign currency and remitted outside of Chinese Mainland to pay capital account items.

On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange 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》), or the SAFE Circular 16, whose core policy is consistent with the relevant provisions of the State Administration of Foreign Exchange on deepening cross-border trade and investment facilitation on December 4, 2023. The SAFE Circular 16 unifies the discretionary foreign exchange settlement for all domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange earnings on the capital account (including foreign exchange capital, foreign loans, and funds remitted from the proceeds from the overseas listing), which have been confirmed by the relevant policies to implement discretionary foreign exchange settlement can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 16 could result in administrative penalties in accordance with the Foreign Exchange Administrative Regulation and relevant provisions.

REGULATORY OVERVIEW

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by FIEs shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes other than bank’ principal guaranteed products, unless otherwise provided for by any law or regulation; (iii) used for loans to non-affiliated enterprises, unless otherwise permitted by its business scope and (iv) used for the construction or purchase of real estate that is not for self-use (except for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or the SAFE Circular 28, which was recently amended on December 4, 2023. The SAFE Circular 28 stipulates that non-investment FIEs may use capital to carry out domestic equity investment in accordance with the law, under the premise of not violating the negative list, and the projects invested are true and in compliance with laws and regulations. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing, for the purpose of domestic payments, without providing authenticity certifications to the relevant banks in advance for those domestic payments.

On April 10, 2020, SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of funds is genuine and compliant with current administrative provisions on use of income relating to capital account, eligible enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

On December 4, 2023, the SAFE issued the Notice on Further Deepening Reforms to Promote the Convenience of Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》), or the SAFE Notice 28, which provides that qualified high-tech, “professional, sophisticated, unique and new” and technology-based small and medium-sized enterprises in Guangdong (including Shenzhen) can borrow foreign debt on their own within an amount not exceeding the equivalent of US\$10 million. SAFE Notice 28 abolished the restriction that the cumulative remittance amount of up-front expenses of overseas direct investment by a domestic enterprise shall not exceed the equivalent of US\$3 million, provided that the cumulative remittance amount shall not exceed 15% of the total proposed investment amount by the PRC entity.

REGULATORY OVERVIEW

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of a wholly foreign-owned enterprise, or WFOE, include the Company Law of the PRC, which was recently amended by the SCNPC on December 29, 2023, and came into force on July 1, 2024. Under these regulations, WFOEs in Chinese Mainland may pay dividends only out of their accumulated profits, if any, determined in accordance with the Chinese Mainland accounting standards and regulations. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. In addition, foreign investment enterprises in Chinese Mainland are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain statutory reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. Foreign investment enterprises shall not distribute profits before losses are covered and the statutory reserve funds are drawn.

REGULATIONS RELATING TO OFFSHORE SPECIAL PURPOSE VEHICLES HELD BY CHINESE MAINLAND RESIDENTS

SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) on May 10, 2013, which was amended on October 10, 2018 and on December 30, 2019 respectively, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in Chinese Mainland shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in Chinese Mainland based on the registration information provided by SAFE and its branches.

SAFE promulgated Notice of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Management of Overseas Investment and Financing and Return Investment of Domestic Residents through Special Purpose Companies (SAFE Circular 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), on July 4, 2014 that requires Chinese Mainland residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for overseas investment or financing. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round-trip investment in the PRC. Under SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests. “Round-trip investment” refers to direct investment in the PRC by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights, and management rights. SAFE Circular 37 provides that, before contributing to a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. In addition, such PRC residents

REGULATORY OVERVIEW

or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such Chinese Mainland citizens or residents, and name and term of operation), capital increase or reduction, transfers or exchanges of shares, or mergers or divisions.

SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13 and amended on December 30, 2019 by a notice, which allows Chinese Mainland residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for overseas investment or financing.

Pursuant to China’s foreign exchange administration regulations, failure to comply with the registration procedures outlined in Circular 37 of the SAFE may result in restrictions on the foreign exchange activities of the relevant domestic companies (including the payment of dividends and other distributions to their overseas parent companies or affiliates). It may lead to penalties against the relevant Chinese residents. Chinese residents controlling such a company shall, from time to time, register with SAFE in respect of their investments in it. In addition, failure to comply with the aforesaid SAFE registration requirements may render the relevant parties liable under Chinese law for evasion of foreign exchange control.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Incentive Rules, which was issued on February 15, 2012, and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are Chinese Mainland citizens or non-Chinese Mainland citizens residing in Chinese Mainland for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE or its local branches and complete certain other procedures. All such participants who are PRC residents need to authorize a qualified Chinese Mainland agent, such as a Chinese Mainland subsidiary of the overseas publicly-listed company, to register with SAFE and handle foreign exchange matters, such as opening accounts, and transfer and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of stock options and sales of proceeds for the participants of the stock incentive plans. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution, or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee stock options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee stock options. The foreign exchange proceeds received by the PRC residents from the sale of stock under the stock incentive plans granted

REGULATORY OVERVIEW

and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. Failure to complete the said SAFE registrations may subject the participating directors, supervisors, senior management, and other employees to fines and other legal sanctions.

In addition, the SAT has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in Chinese Mainland who exercise stock options or are granted restricted shares will be subject to Chinese Mainland individual income tax. The Chinese Mainland subsidiaries of an overseas listed company are required to file documents relating to employee stock options and restricted shares with the relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the Chinese Mainland subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the Chinese Mainland subsidiaries may face sanctions imposed by the tax authorities or other Chinese Mainland governmental authorities.

REGULATIONS RELATING TO OUTBOUND DIRECT INVESTMENT

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), or NDRC Order No. 11, which took effect on March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are required to make record filings with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments (《境外投資管理辦法》), which took effect on October 6, 2014. According to such regulations, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of MOFCOM. The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) was issued by SAFE on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019 respectively, under which Chinese Mainland enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are Chinese Mainland entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) of the People's Republic of China, or the EIT Law, which was promulgated on March 16, 2007, became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, an enterprise established outside Chinese Mainland with de facto

REGULATORY OVERVIEW

management bodies within Chinese Mainland is considered a resident enterprise for Chinese Mainland enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), or the Implementing Rules of the EIT Law, initially promulgated on December 6, 2007, and subsequently amended on April 23, 2019 and December 6, 2024, came into effect on January 1, 2008, with the latest amendments effective as of January 20, 2025. These rules define a de facto management body as a managing body that, in practice, exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Non-Chinese Mainland resident enterprises without any branches in Chinese Mainland pay an enterprise income tax in connection with their income originating from Chinese Mainland at the tax rate of 10%.

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or the SAT Circular 7, which was amended in 2017. The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or the SAT Circular 698, issued by SAT on December 10, 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅管理若干問題的公告》) issued by SAT on March 28, 2011 and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in Chinese Mainland, immovable property in Chinese Mainland, equity investments in Chinese Mainland resident enterprises), or the PRC Taxable Assets.

On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or the SAT Circular 37, which took effect on December 1, 2017. Certain provisions of the SAT Circular 37 were repealed by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》). According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is a reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council,

REGULATORY OVERVIEW

the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders’ retained earnings, such as undistributed profits, of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity. Under the SAT Circular 7 and the Law of the People’s Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) promulgated by the SCNPC on September 4, 1992 and most recently amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty ranging from 50% to 300% of the unpaid tax on them.

The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the Chinese Mainland tax authorities in accordance with the SAT Circular 7. According to the Administrative Measures for Recognition of High-Tech Enterprises (《高新技術企業認定管理辦法》) amended by the Ministry of Science and Technology (中華人民共和國科學技術部), MOF and SAT on January 29, 2016 with effect since January 1, 2016, upon the accreditation of the qualification of High-tech enterprises, such enterprises may apply for the entitlement of the preferential enterprise income tax treatment since the current year beginning from the valid period approved by the accreditation. A “high and new technology enterprise,” or an HNTE, is entitled to a favorable statutory tax rate of 15% and such an enterprise should keep all the statutory required relevant materials in case of future inspection. This qualification is reassessed by relevant government authorities every three years.

Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other Chinese Mainland-sourced income of non-Chinese Mainland resident enterprises that have no establishment or place of business in Chinese Mainland, or if established, the relevant dividends or other Chinese Mainland-sourced income are in fact not associated with such establishment or place of business in Chinese Mainland. However, the Implementing Rules of the EIT Law reduced the rate from 20% to 10%, effective from January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty or similar agreement between Chinese Mainland and the jurisdiction of the foreign holding company, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, and other applicable Chinese Mainland laws, if a Hong Kong resident enterprise is determined by the competent Chinese Mainland tax authority to have satisfied the (《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》) relevant conditions and requirements under the Double Tax Avoidance Arrangement and

REGULATORY OVERVIEW

other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a Chinese Mainland resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant Chinese Mainland tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such Chinese Mainland tax authorities may adjust the preferential tax treatment. The Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), promulgated by the SAT on February 3, 2018 and took effect on April 1 2018, replaced the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《國家稅務總局關於認定稅收協定中“受益所有人”的公告》) by the SAT, and further provided that comprehensive analysis based on the stipulated factors therein and actual circumstances shall be adopted when recognizing the “beneficial owner”. Agents and designated wire beneficiaries are specifically excluded from being recognized as “beneficial owners.”

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, respectively, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and SAT on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services, selling services, sales of intangible assets or importation of goods within the territory of Chinese Mainland shall pay value-added tax, or VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on services. On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the Circular 32, According to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for the purchase of agricultural products originally subject to a tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for the purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to a tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to the tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to a tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%.

REGULATORY OVERVIEW

On March 20, 2019, MOF, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

On December 25, 2024, the SCNPC issued the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), or the VAT Law, which has been formally implemented on January 1, 2026. The VAT Law further clarifies and adjusts the scope of taxable transactions, the rate structure of VAT, the criteria and tax calculation method for small-scale taxpayers, the determination and calculation of taxable amount, tax incentives, etc.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

According to the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), or the Labor Contract Law, promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law, promulgated by the State Council on September 18, 2008, a written employment contract shall be concluded in the establishment of an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated.

Employers in the PRC are required to contribute, for and on behalf of their employees, to a series of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and housing fund.

REGULATORY OVERVIEW

These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers' obligations to contribute to the social insurance funds include: the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and amended with immediate effect on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended with immediate effect on March 24, 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010, and the Regulations on Management of the Housing Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999, and was most recently amended with immediate effect on March 24, 2019.

According to the Interpretation II of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people's court, and the employee may have the right to request to terminate the labor contract and claim economic compensation.

According to the Notice Concerning the Safe and Orderly Collection and Administration of Social Insurance Premiums (《關於穩妥有序做好社會保險費徵管有關工作的通知》) issued by the General Office of the State Administration of Taxation (國家稅務總局辦公廳) on September 13, 2018, the tax authorities will collect all social insurance premiums uniformly from January 1, 2019. Before the completion of the reform of the social insurance collection agency, the relevant local authorities shall continuously optimize the payment service and ensure the continuous improvement of the business environment, and shall not organize and carry out the previous year's arrears check without permission.

REGULATIONS RELATING TO OVERSEAS LISTING AND M&A

On August 8, 2006, six Chinese Mainland regulatory agencies, including the CSRC, promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles that controlled by PRC companies or individuals and formed for overseas listing purposes through acquisitions of PRC domestic companies or subscription of new shares issued by PRC domestic

REGULATORY OVERVIEW

company using the equity of offshore special purpose vehicles or using its new shares as consideration, to obtain the approval of China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange.

In addition, according to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》) issued by the General Office of the State Council on February 3, 2011 and became effective on March 3, 2011, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM on August 25, 2011 and became effective on September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy, contractual control arrangement or any other methods.

On February 17, 2023, the CSRC released the New Filing Rules, which became effective on March 31, 2023. The New Filing Rules regulate both direct and indirect overseas offerings and listings of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the New Filing Rules, the principle of “substance over form” shall be followed when determining whether an offering and listing shall be deemed as an indirect overseas offering and listing by a PRC domestic company, and if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer shall be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in the PRC. Where an issuer submits an application for an initial public offering or offering in another overseas market to competent overseas regulators after the initial overseas offering and listing, such issuer must file with the CSRC within three business days after such application is submitted. The New Filing Rules also require subsequent reports to be submitted to the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

The New Filing Rules provide that an overseas offering and listing is prohibited under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to make the securities offering and listing, or its controlling

REGULATORY OVERVIEW

shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equities 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.

On February 24, 2023, the CSRC, together with the MOF, the National Administration of State Secrets Protection (中華人民共和國國家保密局) or the NAPSS, and the National Archives Administration of China (中華人民共和國國家檔案局), or the SAAC, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Archives Rules, which came into effect on March 31, 2023. The Archives Rules provide that, among other things, (i) in relation to the international offering and listing activities of domestic enterprises, the domestic enterprises are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities; (ii) during the course of an international offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and international regulators, any materials that contain relevant state secrets, work secrets of government agencies or that have a sensitive impact (i.e., be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures; and (iii) working papers produced in Chinese Mainland by securities companies and securities service institutions, which provide domestic enterprises with securities services during their international issuance and listing, should be stored in Chinese Mainland, and the transmission of all such working papers to recipients outside of Chinese Mainland is required to be approved by competent authorities of Chinese Mainland.

REGULATIONS RELATING TO CYBERSECURITY, INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

On May 28, 2020, the NPC promulgated the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process, or transmit personal information of others, or illegally purchase, sell, provide, or make public personal information of others.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, personal information shall be processed (including the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information)

REGULATORY OVERVIEW

following the principles of lawfulness, legitimacy, necessity, and good faith, and shall not be processed through misleading, fraudulent, coercive or other means. The Personal Information Protection Law requires, among others, that the processing of personal information should have appropriate legal basis, a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose. The individual shall be sufficiently informed of the data processing activities before the data collection. Personal information processors shall be responsible for their personal information processing activities and take necessary measures to ensure the security of the personal information processed.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) which was promulgated by the Ministry of Public Security (中華人民共和國公安部) or the MPS, National Administration of State Secrecy Protection (國家保密局) and State Cryptography Administration Office (國家密碼管理局) and the State Council Informatized Office (國務院信息化工作辦公室) on June 22, 2007, and came into effect on the same day, requires the entities that operate and use information systems in China to fulfill the obligation of the hierarchical protection of information security. The operator or user of information systems at Grade II or above shall, within thirty days of the date when its security protection grade is determined, complete the record filing procedures at the local public security authority at the level of city or above.

On July 1, 2015, the SCNPC issued the National Security Law (《中華人民共和國國家安全法》), which became effective on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, specific items and key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC(《中華人民共和國網絡安全法》), or the Cybersecurity Law, which came into force on July 1, 2017. The Cybersecurity Law was further revised on October 28, 2025 and came into force and effect on January 1, 2026. The Cybersecurity Law provides that network operators shall meet their cyber security obligations and shall take technical measures and other necessary measures to protect the safety and stability of their networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information irrelevant to the services they provide or collect or use personal information in violation of the provisions of laws, administrative regulations or agreements concluded with users. Network operators shall strengthen management of information published by users, and when they discover information prohibited by laws and administrative regulations from publication or dissemination, they shall immediately stop dissemination of that information, take measures such as deleting the information, preventing the information from spreading, saving relevant records, and reporting to the relevant governmental agencies.

REGULATORY OVERVIEW

On December 28, 2021, the CAC, together with certain other PRC governmental authorities, jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, CIIOs that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled, or maliciously used by foreign governments after going public, and the cyber information security risk.

On September 24, 2024, the CAC published the Cyber Data Security Regulations (《網絡數據安全管理條例》), which came into effect on January 1, 2025, the Cyber Data Security Regulations requires that if the network data processing activities have or may have an impact on national security, such activities should be subject to national security review in accordance with relevant laws and regulations. However, the Cyber Data Security Regulations do not provide any guidance for assessing the impact on national security in the context of network data processing. The Cyber Data Security Regulations also restates and further specifies the legal requirements for personal information, important data, cross-border data transfer, network platform services, and data security. Any failure to comply with such requirements may subject the data processors to, among others, suspension of services, fines, revocation of relevant business permits or business licenses, and penalties.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which became effective on September 1, 2021. The PRC Data Security Law provides for data security obligations on entities and individuals carrying out data activities and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. An appropriate level of protection measures is required to be taken for each respective category of data.

On July 7, 2022, the CAC promulgated the Outbound Data Transfer Security Assessment Measure (《數據出境安全評估辦法》), or the Security Assessment Measures, which took effect on September 1, 2022. Pursuant to the Security Assessment Measures, a data processor shall apply to competent authorities for security assessment prior to transferring any data abroad if the transfer involves (i) important data; (ii) personal information transferred overseas by a CIIO and a data processor that has processed personal information of more than one million individuals; (iii) personal information transferred overseas by a data processor who has already provided personal information of 100,000 persons or sensitive personal information of 10,000 persons overseas since January 1 of the previous year; or (iv) other circumstances as requested by the CAC. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for Filing the Outbound Data Transfer Security Assessment (Version 1) (《數據出境安全評估

REGULATORY OVERVIEW

申報指南(第一版)》), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during PRC domestic operations; (ii) the access to, use, download or export of the data collected and generated by data processors and stored in the PRC by overseas institutions, organizations or individuals; and (iii) other acts as specified by the CAC. On March 22, 2024, and June 27, 2025, the CAC promulgated the second and third versions of the Guidelines for Filing the Outbound Data Transfer Security Assessment, respectively, which provide more clarity on how to apply for the security assessment and extend the effective term of the security assessment.

In addition, on February 22, 2023, the Provisions on the Standard Agreement on Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》), or the Provisions on Standard Agreement, were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Standard Agreement attach the standard template for a cross-border data transfer agreement that could be used as an available option to satisfy the condition for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law. On May 30, 2023, the CAC promulgated the Guidelines for Standard Contract Filing for Outbound Transfer of Personal Information (Version 1) (《個人信息出境標準合同備案指南(第一版)》). On March 22, 2024, the CAC issued the second version of Guidelines for Standard Contract Filing for Outbound Transfer of Personal Information (《個人信息出境標準合同備案指南(第二版)》), which clarifies the revised threshold for contract filing and simplifies the report template for personal information protection impact assessment.

On September 11, 2025, the CAC promulgated the Measures for the Administration of Reports on National Cybersecurity Incidents (hereinafter referred to as the “Measures”), which came into force on November 1, 2025. Pursuant to the Measures, network operators that construct, operate networks, or provide services through networks within the territory of China shall, in the event of a cybersecurity incident, submit a report in accordance with the provisions of the Measures. A cybersecurity incident refers to an event that causes harm to networks, information systems, or the data and business applications therein, and exerts negative impacts on the country, society, and economy, due to human factors, network attacks, potential network vulnerabilities, software and hardware defects or malfunctions, force majeure, and other factors.

On May 10, 2024, the MIIT issued the Implementing Rules for the Risk Assessment of Data Security in the Field of Industry and Information Technology (Trial Implementation) (《工業和信息化領域數據安全風險評估實施細則(試行)》), which took effect on June 1, 2024. Such implementing rules apply to data security risk assessment activities conducted by important data or core data processors in the field of industry and information technology in China. General data processors may also refer to these rules to conduct a data security risk assessment. The implementing rules establish data security risk assessment mechanisms at both ministerial and provincial levels, refine assessment obligations of processors of important data and core data, and clarify the mechanisms and procedures for competent industrial authorities to supervise and administer such assessment activities.

REGULATORY OVERVIEW

On March 22, 2024, the CAC issued the Provisions on Promoting and Standardizing Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which set forth the circumstances exempted from performing the security assessment or filing procedures for cross-border data transfer and further clarify the thresholds and scenarios for data processors to go through these procedures as stipulated under the aforementioned measures.

On February 12, 2025, the CAC issued the Administrative Measures for Personal Information Protection Compliance Audit (《個人信息保護合規審計管理辦法》), or the Personal Information Auditing Measures, which came into force on May 1, 2025. The Personal Information Auditing Measures stipulates the categories of audit initiated by the company or required by authorities, frequency, scope, procedures and methods for audit, with an annex of the key items to be covered in the audit.

U.S. LAWS AND REGULATIONS

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

Laws and Regulations relating Company Governance

Our U.S. operations are conducted through a California corporation with its principal office in California. Corporate matters relating to our U.S. operations are governed by the laws of the State of California, being the jurisdiction of incorporation of our U.S. entity. The California Corporations Code and applicable case law set out the rights, powers, and obligations of the corporation, its shareholders, directors, and officers.

Under California law, a director stands in a fiduciary relationship to the corporation and must perform their duties in good faith, in a manner the director believes to be in the best interests of the corporation and its shareholders, and with the care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances. This duty requires a director not only to act affirmatively to protect the corporation, but also to refrain from actions that would harm the corporation.

In performing their duties, directors are entitled to rely in good faith on information, opinions, reports, or statements presented by officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented, by counsel, independent accountants, or other persons whose professional or expert competence the director believes to be relevant, and by committees of the board on which the director does not serve, regarding matters within the committee’s designated authority, provided the director has confidence in the committee. In each case, the director must make a reasonable inquiry when circumstances indicate such inquiry is necessary, and must have no knowledge that would cause reliance on the information to be unwarranted.

REGULATORY OVERVIEW

California follows the “business judgment rule,” under which a director who performs duties in compliance with the California Corporations Code is not liable for an alleged failure to discharge obligations as a director.

The California Corporations Code does not expressly prescribe fiduciary duties for officers. However, officers may owe duties similar to those of directors depending on the circumstances, including the level of the officer’s involvement in a transaction and whether the officer participates in the management of the corporation. Unlike directors, officers are not eligible for the statutory exculpation from monetary damages that may be afforded to directors.

Laws and Regulations relating to U.S. export controls and sanctions

The U.S. export control regime regulates the export, transfer, or disclosure of U.S. products, software, and technology to non-U.S. jurisdictions and non-U.S. persons based on the nature of the product or technology, as well as the destination, transferee, or end-use of a specific export or transfer.

U.S. export controls are implemented through a system of categorical restrictions and licensing procedures for specific exporters, customers, and transactions.

The Export Administration Regulations (“**EAR**”), as amended, codified at EAR, 15 C.F.R. § 730, et seq., establish the substantive and procedural rules for administering U.S. export controls with respect to “dual use” items and certain military items. “Dual use” commonly refers to any item that has both civilian applications and applications in connection with military, terrorism, or weapons of mass destruction activities. The Bureau of Industry and Security (“**BIS**”) of the Department of Commerce administers the EAR.

The EAR generally governs the export of any products or technology that are not separately and exclusively regulated by another U.S. government agency. Most notably, exports of certain military-use items are regulated exclusively under a licensing system administered by the U.S. Department of State pursuant to the International Traffic in Arms Regulations (“**ITAR**”).

The EAR also includes certain restrictions on the conduct of U.S. persons, which apply regardless of the involvement of any items subject to the EAR. (Such measures are thus similar to economic sanctions administered by Office of Foreign Assets Control, a division of the U.S. Department of the Treasury (the “**Treasury**”))

Under the EAR, U.S. persons are prohibited from design, development, production, operation, installation, maintenance (checking), repair, overhaul, or refurbishing of nuclear explosive devices, missiles, chemical or biological weapons, military-intelligence end use or military-intelligence end user in a country listed in Country Groups E:1 or E:2, and China (Country Group D:5).

REGULATORY OVERVIEW

Especially, U.S. persons are required to obtain a license if they know that the items, regardless of whether they are subject to the EAR, will be exported, reexported, or transferred to be used in the development or production of Advanced-node ICs at a facility headquartered in, or whose ultimate parent company is headquartered in, either Macau or a destination specified in Country Group D:5 (including China).

The U.S. jurisdiction applies to goods, software and technology that are subject to the EAR and located anywhere in the world.

The EAR applies to all items (i.e., commodities, software, and technology) “subject to the EAR,” which includes not just U.S.-made items or items physically in the United States, but also to certain foreign-made commodities. Non-U.S. made items are subject to the EAR if they meet the “direct product” rule or “de minimis” rule. The direct product rule looks at whether a non-U.S. made item is subject to the EAR because it is a direct product of certain U.S. origin software or technology, or is produced by a plant or major component of a plant located outside the United States that is a direct product of certain U.S.-origin software or technology. The de minimis rule examines whether a particular item is subject to the EAR because there is physically incorporated “controlled” U.S.-origin content in excess of a de minimis percentage. Under the “de minimis” rules, non-U.S. products incorporating more than a specified percentage of controlled U.S. content still considered subject to the EAR. Under the foreign direct product rule, non-U.S. products made with certain U.S. origin plant and technology (such as certain U.S. semiconductor manufacturing equipment) are also subject to the EAR.

Intrinsically sensitive or strategic goods or technology are typically designated by an Export Control Classification Number (“ECCN”), while non-sensitive products subject to the EAR are generally designated as EAR-99. Depending on the destination country, end-user, and the item’s ECCN, exporting or re-exporting an item subject to the EAR may require a U.S. export license unless a license exception is available. License applications will be subject to review under varying policies (e.g., presumption of approval, presumption of denial, or a case-by-case review) as further described in the EAR.

The BIS publishes multiple lists of entities and individuals subject to licensing requirements and other restrictions on transactions involving products subject to the EAR.

The Entity List is a catalogue of individuals and entities subject to specific licensing requirements for the export, re-export, or transfer of certain products and technology subject to the EAR. The Entity List identifies the specific licensing requirements. The BIS licensing policy for many entities is a presumption of denial of any licensing request.

U.S. Outbound Investment Rule

On October 28, 2024, the Office of Investment Security of the Treasury published a final rule that implements Executive Order 14105 (the “**Outbound Investment Order**” or the “**OIR**”) establishing new regulatory controls on certain technology-related investments by U.S. persons in or related to the People’s Republic of China, Hong Kong and Macau. The OIR,

REGULATORY OVERVIEW

“Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (August 9, 2023), applies to U.S. persons engaging in a “covered transaction” involving a “covered foreign person” that engages in certain “covered activities.” Depending on the nature of the “covered activity,” a covered transaction may be prohibited (prohibited transactions) or require notification to Treasury (notifiable transactions). Although the OIR is not generally regarded as a conventional economic sanctions law, the restrictions on investment activities by U.S. persons have similar effects to certain sanctions measures.

Covered activity encompasses activities referred to in the definition of “prohibited transactions” and “notifiable transactions” and includes research, development, or manufacturing involving “covered national security technologies and products,” which are sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies, and AI sectors that have military, intelligence, surveillance, or cyber-enabled capabilities.

Generally, activities and technology that are deemed to present the most acute national security concerns are prohibited, while other designated activities are subject to notification requirements.

The OIR also defines “excepted transactions” which are excluded from the scope of “covered transactions” and provides a mechanism for the Secretary of Treasury to exempt certain covered transactions from the rule on a case-by-case basis.

Labor Laws and Employment Laws

The employment of individuals in the United States is governed by federal, state and sometimes local laws. Federal laws set the minimum legal standard for employee rights; state and local laws may set different standards. Most employees in the United States are hired “at-will,” meaning that their employment can be terminated at any time, with or without notice or cause. At-will employment can be modified by an employment agreement between an employee and employer, but in no event may an employee be terminated for an illegal reason (such as discrimination or harassment), nor may an employee be terminated or retaliated against for engaging in a legally protected activity. Individual verification of eligibility to work in the United States is required.

Intellectual Property Law

The United States has both federal and state laws that govern intellectual property rights. Some intellectual property rights are governed exclusively by federal law, while others are governed by both federal and state laws.

REGULATORY OVERVIEW

Intellectual Property Rights Governed by Federal Law

Copyrights and patents are exclusively governed by Federal Law.

- *Copyrights.* A copyright is a set of exclusive rights owned by the creator of an original work that is fixed in tangible form. A copyright (i) covers expressions, not ideas; (ii) cannot be purely functional; and (iii) must be an original work. U.S. copyright law is governed by the Copyright Act of 1976, as amended, codified at 17 U.S.C. 101 et seq.
- *Patents.* A patent is a government grant providing the patent owner with the right to exclude others from manufacturing, using, or selling a claimed invention within the United States or practicing a claimed method within the United States. A patent is obtained by filing an application with an agency within the U.S. Department of Commerce, the Patent and Trademark Office (“USPTO”), claiming a useful, novel invention. The application must comply with various requirements set forth in the Patent Act as amended, codified at 35 U.S.C. § 1 et seq., and regulations established by the USPTO. A patent owner can bring an infringement action in a U.S. federal court or, where the importation of infringing goods is involved, before the International Trade Commission. A patent owner may be entitled to remedies against an infringing party including preliminary and permanent injunctions, direct damages (including lost profits or royalties), and, in exceptional cases, treble damages and attorneys’ fees.

Intellectual Property Rights Governed by both Federal and State Law

Trademarks and service marks

A “mark” is the use of one or more words, symbols, or logos to identify and distinguish the mark owner’s goods and/or services. A trademark is a mark used for goods; a service mark is a mark used in connection with providing services. U.S. trademarks and service marks generally must (i) be different from prior marks, (ii) not be generic, and (iii) not be descriptive. U.S. federal trademark law is governed by the Lanham Act, as amended, codified at 15 U.S.C. § 1051 et seq. The USPTO is responsible for examining trademark and service mark applications and either granting or rejecting applications to register marks. Once granted, a trademark or service mark provides its owner with nationwide exclusivity within one or more particular fields of use.

State law is an alternative basis for trademark and service mark rights, either under specific state laws or under common law. States generally provide common law rights in trademarks and service marks upon their first use in commerce, without requiring registration. Some states have registries for trademarks and service marks. The rights inherent in such marks are limited to the state where they are used.

REGULATORY OVERVIEW

The owner of a trademark generally has a cause of action for infringement against a defendant who uses a mark that is likely to cause confusion in the relevant marketplace about the source of goods or services, or is likely to cause consumers to falsely infer some association or affiliation between the trademark owner and the defendant. A plaintiff may be entitled to preliminary and permanent injunctions (including destruction of infringing articles), actual monetary damages, accounting of the defendant’s profits, and in some cases, attorneys’ fees.

Trade secrets

A trade secret is information that (i) has independent economic value from being generally unknown to the public and (ii) is the subject of reasonable efforts under the circumstances to maintain its secrecy. Trade secrets are governed by both federal and state law. The Defend Trade Secrets Act, as amended, codified at 18 U.S.C. § 1836, et seq. (“**DTSA**”), is the federal trade secret law. Enacted in 2016, the DTSA applies only to trade secrets used in interstate or foreign commerce. The DTSA provides specific remedies for trade secret misappropriation, including ex parte seizure (seizure without the presence or notification of the other party) in specific and generally rare instances. The DTSA is similar to the Uniform Trade Secret Act (“**UTSA**”), a model set of laws enacted by almost all fifty states within the U.S. A trade secret owner may often have a choice in enforcing its trade secret rights under the DTSA or a relevant state’s version of the UTSA.

U.S.-Based Data Privacy Regulations

The U.S. federal government and various states and governmental agencies also have adopted or are considering adopting various laws, regulations, and standards regarding the collection, use, retention, security, disclosure, transfer, and other processing of sensitive and personal information, including, without limitation and in each case as amended from time to time, the Fair Credit Reporting Act, 15 U.S.C. 1681; the Federal Trade Commission Act, 15 U.S.C. § 45; the CAN-SPAM Act, 15 U.S.C. § 7701 et seq.; the Telephone Consumer Protection Act, 47 U.S.C. § 227; the Telemarketing and Consumer Fraud and Abuse Prevention Act, 15 U.S.C. § 6101 et seq.; the Health Insurance Portability and Accountability Act of 1996; the Electronic Communications Privacy Act, 18 U.S.C. §§ 2510-22; and the Stored Communications Act, 18 U.S.C. § 2701-12. In addition, many states have laws that protect the privacy and security of sensitive and personal information. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information than federal, international, or other state laws, and such laws may differ from each other, which may complicate compliance efforts. For example, in 2018, California enacted the California Consumer Privacy Act, which came into effect on January 1, 2020, and has since been amended by the California Privacy Rights Act which came into effect on January 1, 2023 (collectively, the “**CCPA**”). The CCPA creates individual privacy rights for California residents, including rights to opt out of certain processing such as the transfer of personal information for the purpose of cross contextual behavioral advertising, the processing of sensitive personal information for certain purposes, as well as “sales” of personal information, and increases the privacy and security obligations of entities handling personal information of California consumers and meeting certain thresholds. The CCPA is currently enforceable by the California Attorney General, and provides for civil penalties for violations

REGULATORY OVERVIEW

as well as a private right of action for certain data breaches that result in the unauthorized access to, or exfiltration, theft or disclosure of certain types of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, class action data breach litigation. Though regulatory fines have been imposed, the CCPA has not been subject to significant litigation and judicial interpretation and it remains unclear how various provisions will be enforced. Additionally, the CCPA’s further expansion under the California Privacy Rights Act may impact our business particularly given its establishment of a new regulatory agency dedicated to enforcing the CCPA’s requirements in addition to the California Attorney General, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses, and potentially change our business practices, in an effort to comply.

California’s Invasion of Privacy Act (“CIPA”), enacted in 1967 to prevent unlawful wiretapping, has in recent years been invoked in actions challenging the manner in which websites and other digital platforms collect and share user data. In many cases, plaintiffs contend that the implementation of certain online functionalities or tracking technologies may permit companies or their service providers to “intercept” or “monitor” user interactions without the user’s consent. Under CIPA, if only the website and the user are parties to the communication, no claim arises — a principle referred to as the “party exception.” Where, however, a third party receives or shares such data without clear prior consent, allegations of a violation may be made. Actions under CIPA are frequently brought as class proceedings, and because the statute provides for statutory damages of up to US\$5,000 per violation, potential exposure can be substantial.

HONG KONG LAWS AND REGULATIONS

Overview of the Laws and Regulations Relating to Our Business and Operations in Hong Kong.

Regulations Relating to Business Registration

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)

Every person, (a company or individual), who carries on a business in Hong Kong is required under the BRO to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a licence to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offence and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

REGULATORY OVERVIEW

Regulations Relating to Sale of Goods

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (“SOGO”)

The SOGO governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (a) where there is a sale of goods by description, the goods shall correspond with the description;
- (b) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and
- (c) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the SOGO, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“TDO”)

Under the TDO, (a) use of false trade descriptions; (b) false, misleading or incomplete information, (c) false marks and misstatements in respect of products, and (d) false trade descriptions in respect of services supplied are prohibited. In addition, the TDO makes certain trade practices criminal offence, namely: (a) misleading omission; (b) aggressive commercial practices; (c) bait advertising; (d) bait and switch; and (e) wrongful acceptance of payment. The TDO also provides for offences relating to forged trade mark, and falsely applying of trade mark or resembling marks.

Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (“SSITO”)

Under the SSITO, certain terms are implied in the contracts with customers for the supply of services, including: (a) that the supplier will carry out the service with reasonable care and skill; (b) that the supplier will carry out the service within a reasonable time (if the time of

REGULATORY OVERVIEW

service is not fixed or fixed in a manner agreed); (c) that the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties).

Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) ("UCO")

Under the UCO, if the Hong Kong court finds that a contract for sale of goods or supply of services (in which one of the parties deals as consumer) to have been unconscionable in the circumstances relating to the contract at the time it was made, the court may: (a) refuse to enforce the contract; (b) enforce the remainder of the contract without the unconscionable part; (c) limit the application of, or revise or alter, any unconscionable part to avoid unconscionable result.

Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) ("CECO")

The CECO limits the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of the CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of the CECO, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 9 of the CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

REGULATORY OVERVIEW

Misrepresentation Ordinance (Chapter 284 of the Laws of Hong Kong) (“MO”)

The MO imposes a statutory liability for misrepresentation and controls the use of provisions excluding liability for misrepresentation in contracts. Liability may arise under the MO where a party to a contract is induced to enter into that contract by a misrepresentation of a material fact made by the other party. If the action is successful, the party who relied on the misrepresentation will be entitled to rescind the contract. Damages may also be granted if the misrepresentation was made fraudulently or negligently.

Regulations Relating to Importation and Exportation of Goods

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**Import and Export Ordinance**”) provides for the regulation and control of the import of articles into Hong Kong, the export of articles from Hong Kong, the handling and carriage of articles within Hong Kong which have been imported into Hong Kong or which may be exported from Hong Kong, and any matter incidental to or connected with the foregoing.

The import and export of certain articles are prohibited unless with the relevant licences issued by the Director-General of Trade and Industry. If the goods to be imported or exported are “prohibited articles” or “reserved commodities” under the Import and Export Ordinance and the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Chapter 296A of the Laws of Hong Kong), shipping companies, airlines and transportation companies are required to deliver within 14 days to the Director-General of Trade and Industry the import/export licences together with the relevant manifests of the vessel, aircraft or vehicle.

Pursuant to the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), every person who imports/exports any article other than an exempted article shall lodge with the Commissioner an accurate and complete import/export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner of Customs and Excise may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation/exportation of the article to which it relates.

Hong Kong is a free port and does not levy any customs tariff on imports and exports.

Regulations Relating to Employer/Employee Rights and Obligations

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “**Employment Ordinance**”) is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for the payment of wages, the restrictions on wages deductions, the granting of statutory holidays, and the termination of employment contract, among other

REGULATORY OVERVIEW

things. In addition to these basic protections, employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance and long service payment.

Employees’ Compensation Ordinance

The Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “**Employees’ Compensation Ordinance**”) establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Hong Kong companies are required to maintain employees’ compensation insurance in compliance with the Employees’ Compensation Ordinance to cover compensation and costs liable for personal injuries of employees in Hong Kong in the course of employment with them.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides for the establishment of non-governmental mandatory provident funds schemes (the “**MPF Schemes**”) for members of the workforce for the purpose of accruing financial benefits on retirement, among other things.

Unless otherwise exempted, employers are required to enroll their employees who are at least 18 but under 65 years of age and employed for not less than 60 days in a MPF Scheme. Employers and employees are each required to make regular mandatory contributions of 5% of the employees’ relevant income to the MPF Scheme, subject to the minimum and maximum relevant income levels, which are currently HK\$7,100 per month and HK\$30,000 per month respectively, provided, however, that employees with a monthly relevant income less than HK\$7,100 are exempt and only the employers are required to make contributions to the MPF Scheme.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a minimum wage at an hourly rate for certain employees. Currently, the statutory minimum hourly wage rate is HK\$42.10. Any employment contract that purports to extinguish or reduce any right, benefit, or protection conferred on the employee by the Minimum Wage Ordinance is void. Failure to comply with the statutory minimum wage rate requirement constitutes an offence under the Employment Ordinance.

REGULATORY OVERVIEW

Regulations Relating to Taxes

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”)

As our Group carry out business in Hong Kong, the Company are subject to the profits tax regime under the IRO. The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is currently at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowance for depreciation.

Section 51(1) of the IRO requires every person, upon receipt of a written notice from the Inland Revenue Department, to submit a return within a reasonable time as stated in such notice. In relation to (i) any tax computation containing incorrect information (the “Incorrect Information”); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to prosecution under section 80(2) or 82(1) of the IRO pursuant to which:

- (a) Any person who without reasonable excuse files an incorrect return commits an offence under section 80(2) of the IRO and is liable on conviction to a fine at level 3 (i.e. HK\$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information or omission, or would have been so undercharged if the return, statement or information had been accepted as correct or the omission had not been detected.
- (b) Any person who willfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offence under section 82(1) of the IRO is liable:
 - (i) on summary conviction to a fine at level 3 (i.e. HK\$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and
 - (ii) on indictment to a fine at level 5 (i.e. HK\$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.
- (c) Under sections 80(5) and 82(2) of the IRO, the Commissioner of Inland Revenue may compound any offence in lieu of prosecution.

REGULATORY OVERVIEW

- (d) Under section 82A of the IRO, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required to make a return, shall, if no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

Additionally, section 51C of the IRO provides that any person carrying on a trade, profession or business in Hong Kong shall keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of such trade, profession or business to be readily ascertained and shall retain such records for a period of not less than seven years after the completion of the transactions, acts or operations to which they relate. The section sets out general requirement of records that should be kept. Any person who without reasonable excuse fails to comply with section 51C is liable on conviction to a maximum fine at level 6 (i.e. HK\$100,000).

Regulations Relating to Data Protection

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”)

The PDPO imposes a statutory duty on data users to comply with the requirements of the six data protection principles (the “Data Protection Principles”) contained in Schedule 1 to the PDPO. The PDPO provides that a data user shall not do an act, or engage in a practice, that contravenes a Data Protection Principle unless the act or practice, as the case may be, is required or permitted under the PDPO.

The Data Protection Principles are summarized as follows:

- (a) Adequate personal data should be collected (i) for a lawful purpose, which is necessary for and directly related to a function or activity of the data user, (ii) by fair and lawful means. The person whose data is being collected is informed (a) that whether he is obligatory or voluntary for him to supply the data, (b) the purpose of the collection and the class of persons to whom the data may be transferred, (c) on or before, his right to access and correct the data collected and the information of the person who might handle such requests.
- (b) All practicable steps shall be taken to ensure the accuracy of the person data collected, and kept not long than is necessary.
- (c) Personal data should not be used for the purposes outside of the person’s consent.
- (d) All practicable steps shall be taken to ensure that any personal data held by a data user is protected against unauthorized or accidental access, processing, erasure, loss or use.

REGULATORY OVERVIEW

- (e) All practicable steps shall be taken to ensure that a person can (a) ascertain a data user’s policies and practices in relation to personal data; (b) be informed of the kind of personal data held by a data user; (c) be informed of the main purposes for which personal data held by a data user is or is to be used.
- (f) A data subject shall be entitled to ascertain whether a data user holds personal data of which he is the data subject and request access to personal data. The data subject should be given reasons if the request is refused and right to object to the refusal.

Contravention with the Data Protection Principles may entitle the Privacy Commissioner for Personal Data to issue a written notice directing the data user to remedy and prevent recurrence of contravention. Contravention with the above notice is an offence and the offender is liable on (a) first conviction to a fine HK\$50,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$1,000; and (b) second or subsequent conviction to a fine at HK\$100,000 and to imprisonment for two years, and if the offence continues after the conviction, to a daily penalty of HK\$2,000. It is a defense to the above offence if the data user shows that he exercised all due diligence to comply with the enforcement notice.

The PDPO also gives data subjects certain rights, inter alia:

- the right to be informed by a data user whether the data user holds personal data of which the individual is the data subject;
- if the data user holds such data, to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

The PDPO criminalises, including but not limited to, the misuse or inappropriate use of personal data in direct marketing activities, non-compliance with a data access request and the unauthorised disclosure of personal data obtained without the relevant data user’s consent. An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may seek compensation from the data user concerned.

Regulations Relating to Intellectual Properties

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Mark Ordinance protects registered trademarks. The duration of the registered trademarks is for ten years, which can be further renewed for ten years per renewal. A registered trade mark may be challenged in revocation proceedings if it is not used in Hong Kong for a continuous period of three years.

REGULATORY OVERVIEW

A person infringes a registered trade mark if he uses in the course of trade or business a sign:

- (a) which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (b) which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (c) which is similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (d) which is identical or similar to the well-known trade mark in relation to any goods or services, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Regulations Relating to Anti-money Laundering and Counter-terrorist financing

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offence under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organised crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences under the OSCO. The OSCO extends the money laundering offence to cover the proceeds from all indictable offences in addition to drug trafficking.

REGULATORY OVERVIEW

United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)

Among other things, the UNATMO stipulates that it is a criminal offence to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offence under the UNATMO.

THAILAND LAWS AND REGULATIONS

Civil and Commercial Code of Thailand (“CCC”)

Laws governing formation and incorporation of types of Thai business entity can be found in the Civil and Commercial Code of Thailand. A private limited company is formed through a process which leads to the registration of a memorandum of association and articles of association (by-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders being limited to the amount unpaid on the shares respectively held by them.

Incorporation and Promoters

There must be a minimum of 3 (three) promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the DBD as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company’s initial shareholders immediately upon the company’s registration and is required to subscribe and hold a minimum of one share upon the company’s registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always be remaining of not less than 3 (three) shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of 3 persons are reduced to 2 persons according to Section 1097 of CCC.

REGULATORY OVERVIEW

Memorandum of Association (“MOA”)

The memorandum of association of the company has to be filed with the DBD and must include the name of the company that has been successfully reserved and approved by the DBD, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

Articles of Association (“AOA”)

The articles of association are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc. It is one of the most important corporate documents, the content of which is determined and approved by at the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own Articles of Association or refer to the relevant provisions of the CCC.

Registered Capital

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 (Five Thai Baht) per share. All shares must be subscribed, and at least 25% (twenty-five percent) of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 Million (two million Thai Baht) with fully paid-up for each 1 (one) foreign employee, or THB 4 Million (four million Thai Baht) share capital for 2 (two) foreign employees, or THB 6 Million (six million Thai Baht) for 3 (three) foreign employees respectively.

Directors

A company shall be managed by at least 1 (one) individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign director and Thai director are not treated differently. However, foreign director needs a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the memorandum of association, articles of association, the resolutions of shareholders’ meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company’s management policy and organization chart.

REGULATORY OVERVIEW

Shareholders and Shareholders Meeting

Every company is required to hold the annual general meeting (“AGM”) annually. The extra-general meeting (“EGM”) shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven (7) days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least fourteen (14) days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders’ meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the memorandum of association and articles of association, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

Share Transfer

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the “**Share Transfer Instrument**”); otherwise, such transfer shall be void. The Share Transfer Instrument must contain at least (i) the names of the transferor and transferee, and (ii) the numbers of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

Share Registered Book

A company is required to prepare and keep a share registered book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share registered book is presumed to be correct evidence of any matters directed or authorized by the laws.

REGULATORY OVERVIEW

Under the CCC, in case a company fails to keep a share registered book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the Target Company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

Share Certificate

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed to the limited company’s seal; moreover, the share certificate must contain a name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

Foreign Business Act.

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the Foreign Business Act (the “**FBA**”). The FBA defines the definition of “foreigner” is (i) a non-Thai natural person, (ii) a legal entity not incorporated in Thailand, (iii) a juristic entity incorporated in Thailand with at least 50% (fifty percent) of share capital is owned by foreign individuals or entities, and (iv) a limited partnership or a registered ordinary partnership that having the managing partner or manager is a non-Thai natural person. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least more than half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the Company intends to engage in any restricted businesses.

BOI Act.

The Thailand Board of Investment (the “**BOI**”) was set up under the Investment Promotion Act (the “**Investment Act**”) for purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities of such activities fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the foreign nationals are obligated to transfer into Thailand the

REGULATORY OVERVIEW

specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

Land Code

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

Social Security Act

The Social Security Act of B.E. 2533 (1990) (the “**Social Security Act**”) in Thailand, and its amendments, established the Social Security Fund (the “**Fund**”) with the objective of providing coverage for fund members under certain conditions.

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office (“**SSO**”) for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

Workmen Compensation Fund

The Workmen’s Compensation Fund was established under the Workmen’s Compensation Act, B.E. 2537 (1994) (“**WCA**”) to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workers’ Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2%-1%.

Labour Protection Act

The Thailand Labour Protection Act (“**LPA**”) is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

REGULATORY OVERVIEW

Under section 108 of the Labour Protection Act, B.E. 2535 (1992) (“**LPA**”), the Target Company shall procure the work rules in Thai language upon the date the employer employed more than ten (10) employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

Foreigners’ Working Management Emergency Decree

Pursuant to Section 8 of the Foreigners’ Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the Notification issued under section 7 paragraph one or carry out any work without a work permit.

The Revenue Code

The principal law with respect to tax implication in Thailand is the Revenue Code of Thailand (the “**RC**”) under governed by the Revenue Department.

Corporate Income Tax (“CIT”)

According to the RC, in general, a company is subject to the CIT rate of 20 % on net profit. In addition, with respect to Small Medium Enterprises (**SMEs**) which a company that having its paid-up registered capital at the end of the accounting period of not exceeding THB 5 Million (Five Million Thai Baht) and having annual revenue income from business operation not exceeding THB 30 Million (Thirty Million Thai Baht) per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit range between THB 300,001 — 3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

Value Added Tax (“VAT”)

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 million (One Million Eight Hundred Thai Baht) is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the Revenue Code. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

REGULATORY OVERVIEW

DUTCH LAWS AND REGULATIONS

Corporate

The primary source of Dutch corporate law is Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*, hereinafter the “**DCC**”). Its provisions apply to all Dutch private limited companies (*besloten vennootschap*, BV) and public limited companies (*naamloze vennootschap*, NV). Enforcement generally occurs through the Dutch court system, including both general courts and specialised courts such as the Dutch Enterprise Chamber.

The statutory requirements are supplemented by the Dutch Corporate Governance Code (“**DCGC**”), which contains principles and best-practice provisions regulating the relationship between the board and the shareholders. The DCGC applies to listed Dutch companies, even if their shares are listed only on a stock exchange outside the European Economic Area. While the DCGC applies on a comply-or-explain basis, certain principles and best practices may be considered part of the statutory requirement for boards and shareholders to act toward each other in accordance with the principles of reasonableness and fairness and may therefore be binding.

Finally, the articles of association (*statuten*) of a Dutch company are an important source of the corporate governance rules applicable to that specific entity.

Product Safety

Product safety laws in the Netherlands are primarily based on European legislation. Separate regimes exist for medical devices, pharmaceuticals, and food. In addition, harmonised legislation applies to sector-specific products such as cosmetics, toys, radio equipment, and motor vehicles.

For consumer products that fall outside the scope of sector-specific regimes, the new European General Product Safety Regulation 2023/988 (the “**GPSR**”) applies. The GPSR replaces the General Product Safety Directive 2001/95/EC and Directive 87/357/EEC regarding products resembling foodstuffs. It is binding in all its parts and directly applicable across the European Economic Area, including the Netherlands.

The GPSR aims to ensure a higher level of consumer protection and improve the functioning of the internal European market with respect to products intended for consumers. As of 13 December 2024, all non-food consumer products placed on the market must comply with the GPSR. Sector-specific directives and regulations with the same objective remain in place. The GPSR only applies to aspects and risks, or categories of product risks, not covered by those sector-specific regulations.

REGULATORY OVERVIEW

European product legislation is implemented through the revised Dutch Commodities Act (*Warenwet*), the Decree on the Implementation of the GPSR and the Accreditation Regulation of 2 December 2024 (*Warenwetbesluit uitvoering verordening algemene productveiligheid en verordening inzake accreditatie*), as well as sector-specific product safety decrees, such as those applicable to cosmetics, toys, machinery, etc. For food, the Dutch Commodities Act applies together with specific Commodities Act decrees.

Additionally, since 2021, the Market Surveillance Regulation (EU) 2019/1020 (*Verordening Markttoezicht*) has applied to non-food consumer products subject to the Union harmonisation legislation listed in Annex I of the Regulation, insofar as no specific provisions with the same objective in the EU harmonisation legislation more specifically regulate particular aspects of market surveillance and enforcement.

Product Liability

In the Netherlands, the causes of action for product liability are based on the DCC as follows:

Strict Liability

Article 6:185 of the DCC contains the *lex specialis*. Under this article, a manufacturer can be held liable for damages resulting from a defective product. This strict liability applies only to cases involving death, personal injury, or property damage caused by the defective product to another item intended for private use or consumption. The injured party must have primarily obtained the product for their own private use or consumption. For this type of property damage, a threshold of EUR 500 applies.

Articles 6:185 to 6:193 of the DCC align with the European Product Liability Directive 85/374/EEC, incorporating its provisions into Dutch law. As the new Product Liability Directive 2024/2853 will replace the Product Liability Directive 85/374/EEC and apply as of 9 December 2026, Articles 6:185 DCC et seq. will be amended accordingly. A bill for implementation has already been proposed. The current Directive will remain applicable to products placed on the market before 9 December 2026.

Fault-Based Liability

Article 6:162 of the DCC is the *lex generalis*. It provides a general legal basis for holding a manufacturer liable for damages caused by a defective product. Fault on the part of the defendant must be established. This article imposes no limitations on the types of damages that can be pursued and is therefore often relied upon by companies. Consumers may also rely on this ground when the long-stop or short-stop limitation period under the strict liability regime has expired.

REGULATORY OVERVIEW

Contractual Liability

Article 6:74 of the DCC provides the legal basis for addressing contractual breaches concerning defective or non-conforming products. Strict product liability towards consumers, as set out in Article 6:185 of the DCC, cannot be contractually waived; therefore, any attempt in a contract with a consumer to exclude strict product liability would be legally invalid.

Data protection

The General Data Protection Regulation (“**GDPR**”) has been applicable throughout the EU since 25 May 2018. It imposes greater responsibilities on organisations that collect and process personal data, including requirements relating to lawfulness, fairness and transparency, purpose limitation, data minimisation, accuracy, storage limitation, and confidentiality and integrity. It also grants individuals enhanced rights regarding their personal data. Non-compliance may result in significant fines.

Each EU member state must legislate on certain matters under the GDPR. In the Netherlands, this has largely been implemented through the General Data Protection Regulation Implementation Act (*Uitvoeringswet Algemene verordening gegevensbescherming*). The Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*) oversees compliance with the GDPR and other legislation governing the processing of personal data.